



**automotive  
executive**

Published for America's automobile dealers

September  
1979

# Computers in the Deal



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**Solar Store**

## **NIADA:**

# **The Independent Side**



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One of the most commonly used Chevrolet mascots was the flying bird. Patented in 1933—eleven years after Universal started insuring franchised automobile dealers.

Though not the first to incorporate distinctive mascots as hood ornaments, Chevrolet was one of the last to put the radiator cap inside its cars.

In fact, they held out until several years after more expensive cars dispensed with outside caps. Though not the first to introduce life insurance to automobile dealers, Universal can be called the last word in convenience because of their Unicover concept of total insurance—one package, one premium—making the Universal world one of the most appreciated symbols in the world of motoring.

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# Executive Notes

## Industry news for the automotive executive

**M-B truck plant.** Mercedes-Benz is on its way to building its first truck assembly plant on U.S. soil. Groundbreaking ceremonies were held recently near Hampton, Va., site of the future plant which is scheduled for completion in June 1980. The new Mercedes-Benz facility will have a production capacity of 6,000 trucks per year and is expected to employ more than 170 workers. At present, Mercedes-Benz trucks imported into the U.S. are manufactured by Mercedes-Benz do Brasil, the largest Daimler-Benz overseas subsidiary and the principal truck manufacturer in South America. The Brazilian plant will provide the bulk of components to be assembled at Hampton, while some will come from West Germany and others will be purchased in the United States.



*Scale model of Mercedes-Benz U.S. truck plant*

major metropolitan area, the cost goes up to \$16.72; rural service dealers average \$12.71. According to the study, it also matters where cars are serviced. Nationally, luxury car dealers charge an average of \$23.33 per hour, while service station labor averages \$14.59 and independent garages \$15. One-half of 1 percent of dealers still charge \$6 or less per hour while, at the other end of the spectrum, 2 percent charge \$30 or more.

**On the energy front.** Gulf Refining & Marketing Co. recently announced plans to increase its U.S. refining capacity almost 9 percent with construction projects for its Port Arthur, Texas, and Philadelphia, Pa., refineries. Estimated cost of the projects is \$250 million. Coupled with Gulf's other projects currently underway to improve the company's ability to make unleaded gasoline, Gulf will be investing about \$400 million in its U.S. refineries over the next three years. . . . Heraldings of new devices and chemicals to extend gasoline mileage in motor vehicles continue to proliferate. Most recent news on this topic includes: **Xtec, Incorporated**, of New Britain, Conn., has filed a patent application for a device with the trademarked name of **Ga\$aver**. The company said its tests indicate fuel savings of up to 40 per-

cent, but a "highly respected, independent testing facility" is presently testing the Ga\$aver to substantiate the findings. . . . The **Plattner Co.** of Birmingham, Mich., is promoting an additive called **Mile Saver Plus** and reported users testing the additive in gasoline and diesel engines tell of "dramatic improvements in fuel economy (an average of more than 7 percent), performance, cold-weather starting and reduction of noxious exhaust gases". . . . Meanwhile, **Avis Rent A Car System, Inc.**, has announced about 30 cars assigned to company managers in the Northeast are being used to test an alternate fuel known as **HydroFuel**—it combines gasoline, alcohol and water to form a hybrid gasohol product.

**Ford wins Silver Anvil.** Ford Parts and Service Division of Ford Motor Co. has received the Public Relations Society of America's Silver Anvil award for the most outstanding public relations program during 1978 in the customer relations category. The award-winning program was developed by the Ford Parts and Service PR staff to effectively publicize the creation of Ford Motor Co. Consumer Appeals Boards in North Carolina, New Jersey and the combined states of Washington and Oregon. The independent

**Lease-rentals boom.** According to a new estimate by the Hertz Corp., the car and truck leasing and renting industry's revenues climbed more than 20 percent to \$24.079 billion in 1978 and its vehicles in service reached 5.7 million—that's some 7.4 percent above 1977. Nearly one vehicle in every six sold in the United States in 1978—15.3 percent—entered lease-rental service, compared with under 10 percent ten years before and just 3.4 percent in 1960, the estimate noted. Long-term car leasing income spurted 21 percent last year to \$14.8 billion, while truck leasing outlays went forward 14.5 percent to \$5.3 billion. Hertz said its figures may be conservative since a growing number of automobile dealers and more banks have entered the business, adding significantly to its growth over the past several years.

**Mechanic labor rates.** The average price of an automotive mechanic's labor is \$15.43 per hour, according to a study just released by Chilton Datalog, a division of Chilton Co., Radnor, Pa. For residents in a



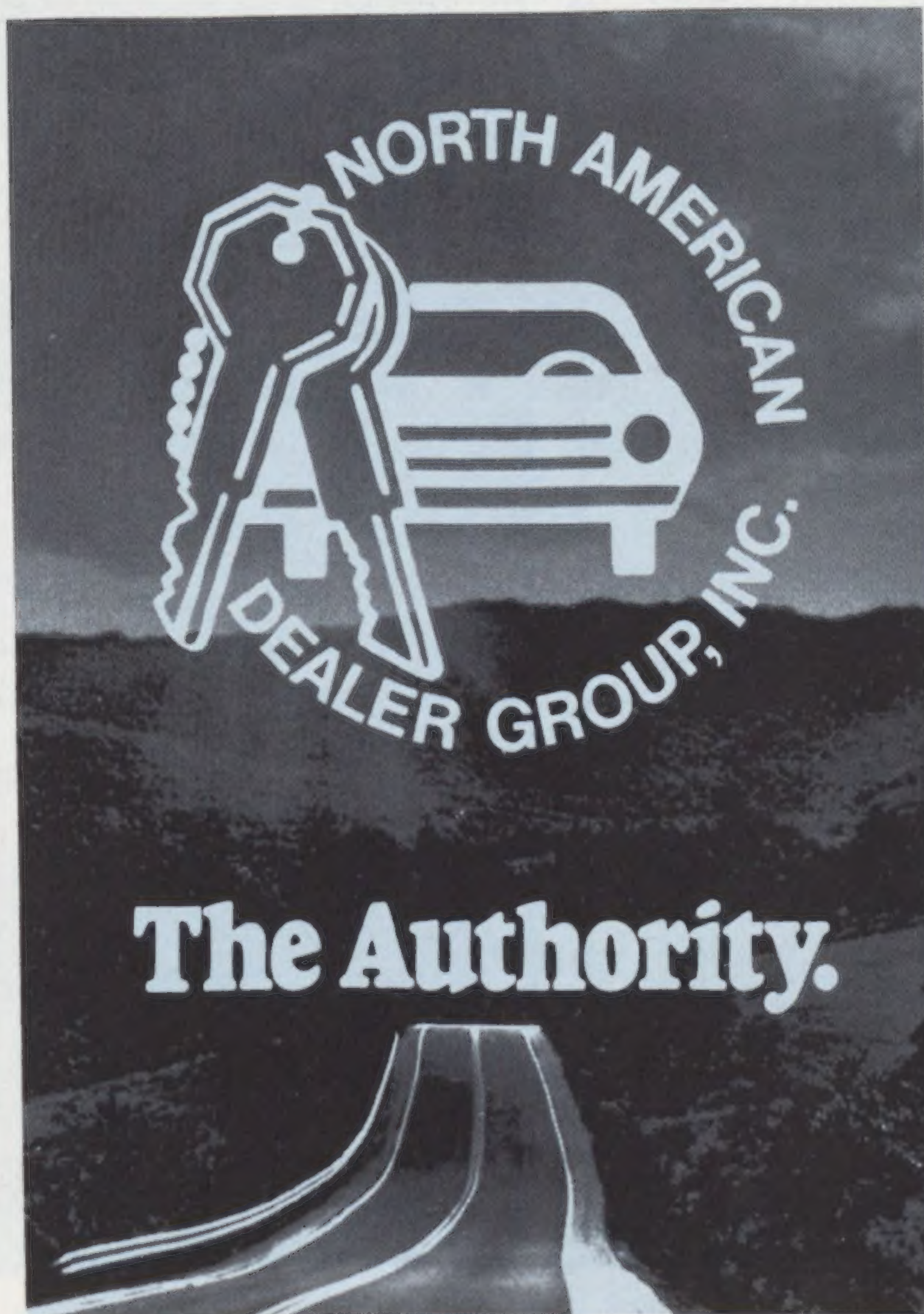
# Listed below, are the major warranty companies with more dealer association endorsements than North American Dealer Group:

- 1.
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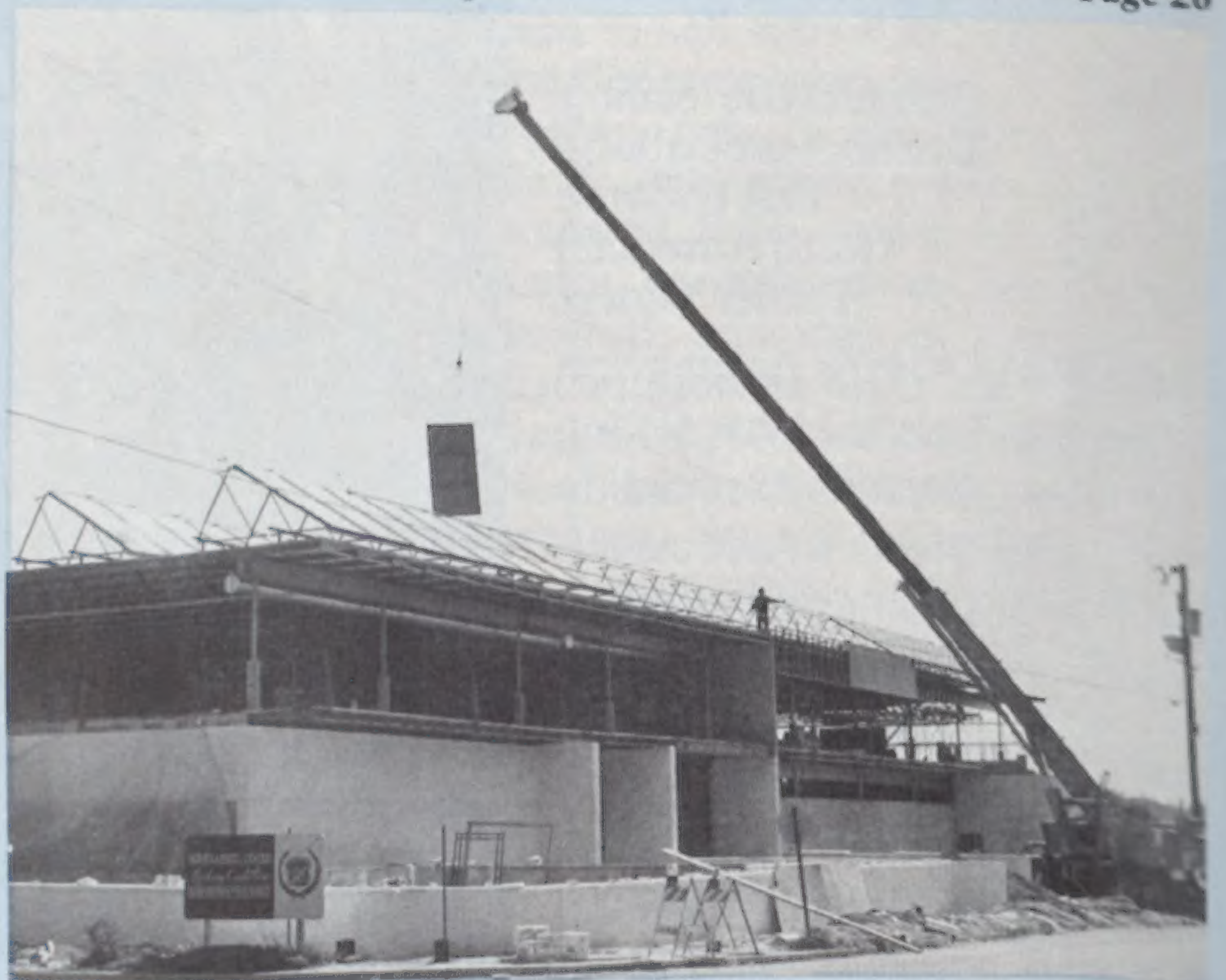
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# CARS&TRUCKS

Has

Changed

To



# AE

automotive  
executive

If you're wondering how or why you received this magazine—**automotive executive**—you also might be wondering where your September issue of *Cars&Trucks* is. To be as succinct as possible, *Cars&Trucks* has changed to **automotive executive**!

Why the change after, lo, these many years? It's because we feel the new name, and the philosophy it embraces, better typifies our readership in this day and age.

Let's face it, the automotive retail industry isn't the same ball game it was when *Cars&Trucks* was christened back in August of 1969. Things are more complex now, with a completely new set of problems and challenges to go along with many of the older ones.

By the same token, today's dealers need to be a different type of person than they were 10 years ago. They can no longer be simply mechanics or salespeople who have advanced to the ownership of a car or truck business that, more or less, runs itself. They

can't be that type of dealer if they want their business to survive, that is.

In today's hectic automotive retail industry, dealers must stay on top of every facet of their dealership whether it be new and used unit sales, service and parts, F&I, business office, leasing or the hundred other areas encompassed under a facility's banner. Not only that, dealers now must also stay abreast of the outside pressures emanating from government, the economy, the factory and an increasingly demanding public.

Dealers today are finding they have to be management people, community people, political people, business people AND automotive people all rolled into one. Like the fellow on our cover and at the top of this page, dealers may have a wrench and denims in their background, but they know the present—and future—is a well-traveled attache case. In short, they are now *automotive executives*.

And that's why we've changed our name.

AE



# Used Cars



James "Harry" Lawrence

## Does Anybody Up There Care?

**T**here is an article in this edition by the NADA Director from Tennessee, a gentleman named Frank Davis. He briefly mentions the part the manufacturer does or does not take in the merchandising of used cars. In an earlier issue—when we were called *Cars & Trucks*—this column carried an interview with Bob Koch and Bill Thee, both of the Ford Motor Co.

There are other manufacturers which take an interest in their cars after the original sale (we mean the merchandising of the used cars rather than product reliability, etc.). In time we will interview the men in the positions similar to Thee's and Koch's and compare their company's policy with Ford's.

But, I have come to *bury* Caesar not to praise him and I wonder if any of the manufacturers do as much as they could to aid in the merchandising of used cars at the dealership level. We are aware of the efforts made with the independents and the auctions, largely promotional activities almost institutional in nature. But, what is the policy of the manufacturers toward the merchandising of used cars and what, if anything, is done toward that objective?

It is quite possible that I am missing the "big picture". I have a knack for such things, I have been known to completely miss the "real world". I know for sure only what I see and I think I am accurate in saying that very few divisions or man-

ufacturers have anyone in the capacity of FULL TIME used car manager at the national level. The majority of them have additional duties, duties which are often regarded as more important than used car merchandising.

It was not always this way. When I was appointed Director in 1966, not only was each manufacturer represented in this critical area but each division had a man involved. In at least one instance, there was a corporate executive assigned the responsibility . . . perhaps with other duties as well. I look back upon that period with considerable pleasure. I learned a great deal from that group.

It is not my purpose to create problems, but may I ask you this? When was the last time you heard anything with regard to used car merchandising from your division other than "get those sales reports in!"? Let us go a step further. Is there anyone in your division who is assigned the responsibility for used car merchandising? Do you know who he is? Have you had any contact with him? Within General Motors, unless there have been some recent changes, only one division has a full-time used car manager and that is Bob Wholeyhan of Chevrolet. Now, the other divisions have the duty somewhere on an organizational chart and someone is assigned the responsibility . . . but, it is in the nature of an additional duty. I do not know of anyone at Chrysler

with the responsibility except employees of Chrysler Fleet Division and I will say that those gentlemen, Bill Bivens, Tom Moore, Larry Tarleton, John Razzano and John O'Connor are both interested and knowledgeable. Yet, in an austerity move, Chrysler did not send anyone to an annual meeting of "factory managers" which is essentially an invaluable exchange of ideas. But, do not feel badly about that, you C-P and Dodge dealers . . . only two divisions of General Motors were represented!

Should the manufacturer be interested in the merchandising of used cars, meaning cars of its own? Do used cars influence the sale of new cars or is the converse true? Perhaps it works both ways. A hot new car may create interest in lagging older models but that is not quite so well-defined as the impact a poor-selling used car has on new car sales. You don't have to look very far today to see examples of that. Of course, those in the divisions responsible for fleet sales are well aware of the need to keep used car values up, at least through the second year. But, why should the awareness be *secondary* rather than *primary*? How much would an effective used car merchandising department cost a manufacturer? Measure the cost in terms of the potential return—not only to the dealer body but to the manufacturer as well. The cost would be insignificant compared to the cost of some of

*The Used Car column is prepared exclusively for automotive executive by James H. "Harry" Lawrence, editor of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: "Used Cars," automotive executive magazine, 8400 Westpark Dr., McLean, VA 22102.*



the other programs which seldom seem to lack for funds.

It appears to me the manufacturer is the natural focal point for aid in used car merchandising. The resources are, for all intents and purposes, without limit. There is access to the entire dealer body. There already exists a well-functioning chain of command. The means to gather data is available as is the means to distribute it. When I say gather data I am not referring only to going market prices. I mean merchandising techniques. I mean recognized trends which are likely to spread from the points of origin. I mean product problems which might be spotted on the used car lot—before they lead to the courtroom. The potential is

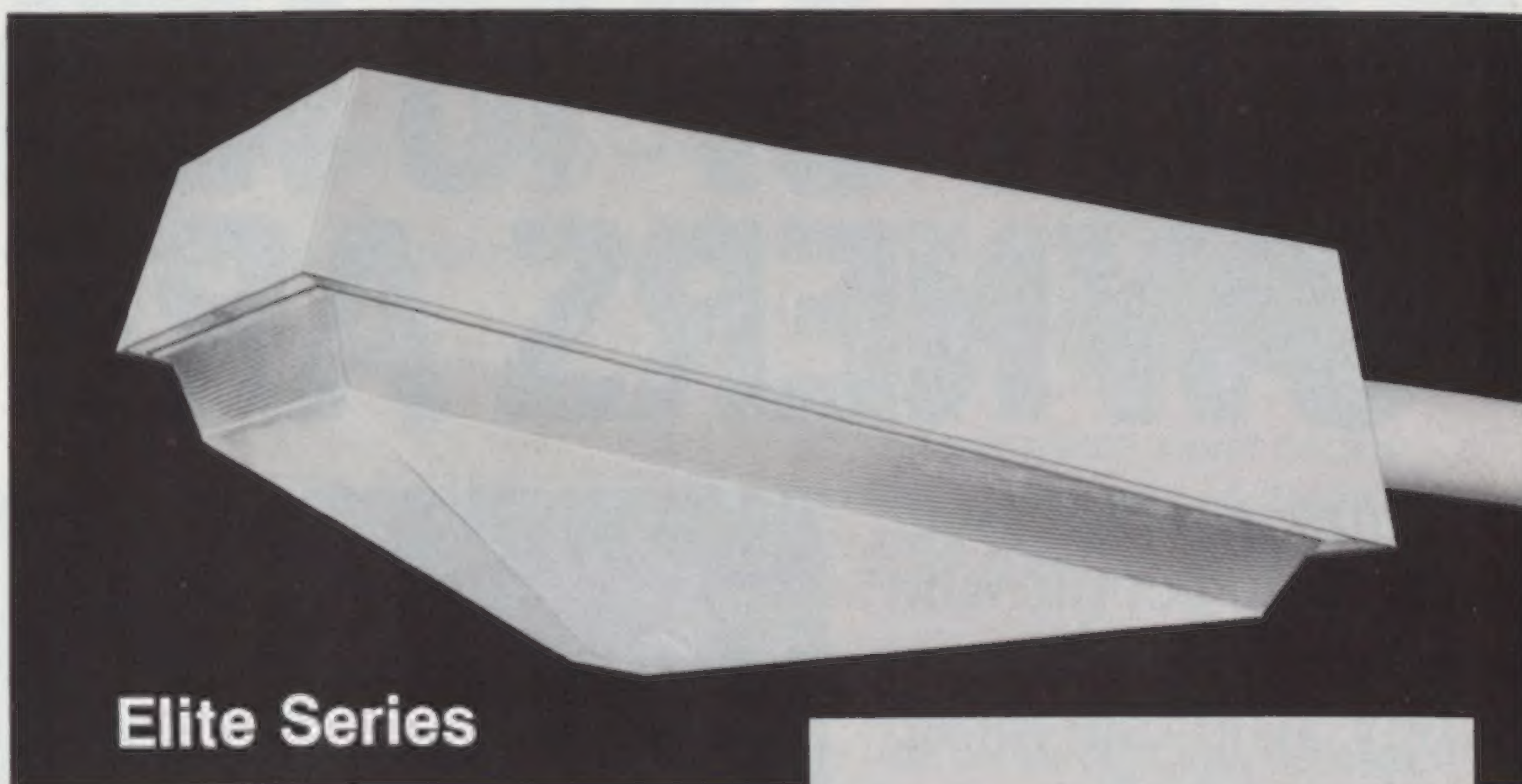
*Should the manufacturer be interested in the merchandising of used cars . . . of its own?*

there but it goes largely unemployed or, at best, underemployed.

Frank Davis, in his article, asks about incentive programs. Denny Kuhn, of Lincoln-Mercury, ran some highly successful programs when he was still in Dearborn. Do the programs work? I think so. Some day when you have time on your hands and access to a library of used car guides (it doesn't matter whether you use the NADA guide or another) track the movement of Lincolns and Marks in the used car market in the early 1970s. Note the rate of closure with Cadillac. Of course there was product improvement, but was it only coincidence the price improvement in used Lincolns ran parallel to the used car promotional efforts of Denny Kuhn and his staff?

There is no question there are difficulties merchandising big used cars at this time and perhaps it is a problem of greater magnitude than the average dealer can handle. A little help from the top sure wouldn't hurt. If nothing else, it would demonstrate that someone up there does care. **Æ**

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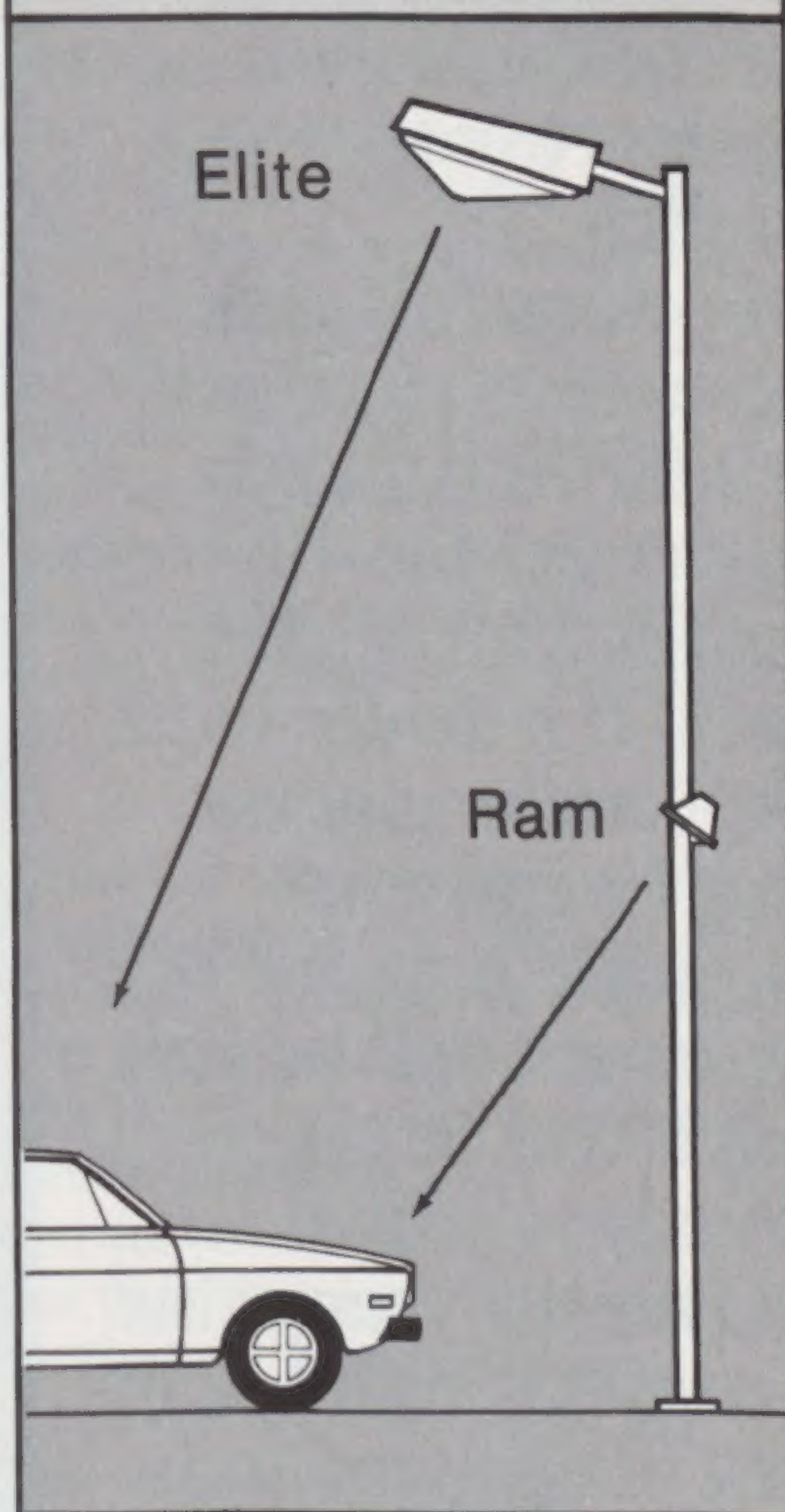
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The people who buy our cars. **VOLVO**  
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# Legal Briefs



## Flat rate manual under attack again.

The U.S. Court of Appeals, Fourth Circuit, has reversed a lower courts summary judgment order in *Morrison v. Nissan Motor Co., Ltd.* that dismissed the case in favor of Nissan because of the lack of a "genuine dispute".

Morrison, a regular customer of a Maryland Datsun dealer, brought suit against Nissan and the dealership charging they conspired to fix repair prices for non-warranty work by distributing the Datsun flat rate manual. His contention was that the manual violates the Sherman Antitrust Act.

Nissan contended the manual set up mandatory time charges for warranty work, but was merely advisory for non-warranty work. It denied ever establishing mandatory time schedules to be used by dealers for non-warranty repairs. In addition, the Datsun dealership denied using the manual for non-warranty work.

Federal rules provide for a summary judgment only where parties can show by affidavits that there exists no genuine issue of material fact. The Court of Appeals disagreed with the lower court in its interpretation of the materials presented in support of the summary judgment. In its opinion, the court gave as its reasons for overturning the decision that: (1) at no point did the manual make any distinction between warranty and non-warranty repairs and "in fact, only a small percentage of the operations included in the Datsun flat rate manual would ordinarily be in the scope of the warranty . . ."; (2) Nissan did not sufficiently discredit Morrison's charge that "the manual was developed and maintained with due consideration by Nissan of suggestions and recommendations from the dealers themselves"; and (3) it was not undisputed that the manual was purely advisory so far as non-warranty repairs were concerned.

Because of the court's ruling that there appears to be a "genuine dispute", the case will return to the U.S. District Court for trial on the merits. The NADA Legal Group will continue to monitor the case for important developments.

## Manufacturer not required to consummate sale of dealership.

The U.S. District Court, Eastern District of Missouri, has granted General Motors summary judgment in *Francis Chevrolet Company v. General Motors Corp.* Francis Chevrolet sought to terminate its franchise and dispose of its assets. The court held that GM did not violate the Automobile Dealer Franchise Act by referring Francis Chevrolet to another dealer that had been promised the next available suburban dealership.

A buy-sell agreement was written between the two dealerships. The prospective purchaser was unable to arrange financing, but the buy-sell agreement did not contain any closing date. General Motors allowed Francis Chevrolet to discuss a sale of its assets with other prospects, but said that Francis must inform prospects of the outstanding buy-sell agreement.

On all counts, the court ruled GM had not violated any good faith dealing requirements as enunciated by the franchise act. The court stated the "defendant has no obligation to provide such financing nor any other obligation to make the . . . sale easier to consummate."

(Continued on page 14)

This column is prepared by the Legal Group of the National Automobile Dealers Association which is solely responsible for its content. All opinions in the column are based on actual cases. For further information, questions or inquiries concerning these opinions or any other items appearing in this column write to: Legal Briefs, NADA, Legal Group, 8400 Westpark Dr., McLean, VA 22102



**Dealer may bring in manufacturer on Magnuson-Moss lawsuit.**

A Pennsylvania Court of Common Pleas ruled in *Brice v. Webber Dodge* that a dealer can bring in the manufacturer as a defendant in a suit brought by a customer for breach of warranties and violations of the Magnuson-Moss Warranty Act. A dissatisfied customer sued Webber Dodge for \$5,000 in damages. The dealer sought to bring in the manufacturer to recover any amount it would have to pay the customer. The manufacturer claimed the dealer is not a "consumer" under the Magnuson-Moss Act and, therefore, cannot recover from the manufacturer.

The judge stated that "it would be an absurdity to say that a federal act designed to protect consumers from hidden modifications in written warranties should act to preclude a dealer sued by a consumer from joining the supplier of the alleged defective automobile and the maker of the written warranties".

**GM "engine switch" case settled?**

A federal judge authorized General Motors to make individual settlement offers to 67,000 owners of 1977 Oldsmobiles equipped with Chevrolet engines. (See "Legal Briefs", May, 1979.)

However, lawyers connected with the original class action said the proposed \$200 cash and 36-month drivetrain warranty was too low, and GM's later notification was inadequate. By accepting GM's offer, an individual will give up all rights to any future court judgment in this case.

The U.S. Court of Appeals delayed the issuance of the settlement letters until the wording was reviewed and approved by a U.S. District Court judge.

**Dealer does not have standing to sue.**

The U.S. Court of Appeals for the 10th Circuit affirmed a lower court decision that held an individual who entered into Ford's Dealer Development Program had no standing to assert Sherman Act Antitrust violations. In its opinion, the court stated that, "It is settled law that shareholders and employees do not have standing to sue for antitrust violations that injure a corporation." Ford allegedly terminated the individual's participation in the dealer development program, fired him from his position as president of the dealership, gave him \$1 for \$50,000 investment in the stock of the dealership, and sold the dealership to a competitor at a greatly reduced price.

The dealer had also charged Ford Motor Co. with fraud, and with misrepresentations in violation of securities law. More information of the results of this case will be reported in a future Legal Briefs column.

**A reader asks:**

A reader from Indiana asks, "Is there a limit to the responsibility of a dealer to locate vehicles under a manufacturer's modification or recall campaign?"

**Yes.** There is a limit beyond which dealers are not expected to go. No government agency has the authority to force dealers to locate vehicles or to make repairs because the duty to notify vehicle owners and to make repairs rests, ultimately, with the manufacturer.

All dealer duties under a manufacturer's campaign arise from the franchise agreement. Most franchise agreements specifically provide that dealers will inspect and service vehicles subject to a manufacturer's recall and that dealers will follow the manufacturer's bulletins. When corrective parts are supplied, a dealer is expected to make effective repairs. Also, a dealer should make a *good faith* effort to locate vehicles and to notify vehicle owners about campaigns to the extent the notification is possible from the dealer's records. To verify these efforts, a file of all correspondence made to customers under a manufacturer's campaign can be set up. Finally, a dealer should be alert for campaign defects as vehicles come in for service. The reasonable limit here is that there is no requirement that a dealer spend an excessive amount of time and money locating these vehicles.

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# Your Dealership's **PATHWAYS TO PROFITS**



## RVIA Louisville '79 17th National RV Show Nov. 27-30, 1979

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On Monday, November 26, RVIA starts things off with the Marketing and Finance Forum at the Commonwealth Convention Center, Downtown. Subjects like marketing, financing in tight money markets, and advertising (more bang for the buck) round out day one at Louisville. Then, on Tuesday through Friday, stroll through more than 1/2 million square feet of displays.

Thursday night for your relaxation and enjoyment, we're throwing a huge party with top notch entertainment, great hors d'oeuvres and dancing till the early hours.

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# Tax Brakes



Irving Blackman

## Real Estate and the Corporation

**L**ast month we discussed a method of getting appreciated real estate out of a closely held family corporation without adverse tax consequences. We assumed that the active stockholder and his wife wanted to remain active. This column will cover an approach that is used when the founding father stops *talking* about retiring and really *does* it.

Let's look into this common problem: Family Corp. owns free and clear land and a building that originally cost \$300,000. Its reduced tax basis, due to depreciation, is \$100,000 and, because of appreciation and inflation, the property is now worth \$600,000. A sale of the property would result in a \$500,000 taxable gain. F, the founder of the corporation, owns 40 percent of the stock while the other 60 percent is owned by members of his immediate family. F wants to retire. His 40 percent of the stock is worth \$500,000.

The solution is to have the corporation put a \$100,000 mortgage on the real estate which would reduce its net value to \$500,000, then exchange the real estate for F's stock.

The tax consequences for the stockholder:

1. F pays a capital gains tax on his profit.

2. Although not applicable in the above example, if the property value is less than 30 percent of the selling price, an installment sale is available.

3. Since the property is de-

preciable, it can be depreciated by F, using the fair market value (\$600,000) on the date it was received as the new tax basis.

There are two practical points for F to consider: the capital gains tax that must be paid is usually funded by a new or increased mortgage on the property: and, the property provides a source of income for F in the form of rent from the corporation, reduced—for tax purposes—by depreciation and interest.

The tax consequences for the corporation:

1. Even though the corporation actually realized a \$500,000 profit when it paid for the stock with the appreciated property, it does not realize any taxable gain. (It's true, it's true! The corporation actually *avoids* tax on its \$500,000 profit.)

2. This tax maneuver is only available to a stockholder who owns 10 percent or more of the stock of the corporation when it is redeemed.

And here are some additional tax-saving hints:

- If the property is worth *less* than the stock being redeemed, then pay the difference in cash or in notes to be paid over a period of time.

- If the property to be used for the redemption is worth *more* than the stock, then simply put a mortgage on the property sufficient to reduce the net value of the stock being exchanged. (Caution—If the property is subject to a mortgage—say \$250,000—and the tax basis—say \$150,000—of the property is

*less than the liability, the difference—\$100,000—is taxable income to the corporation.)*

- If the only appreciated property available for the exchange is needed in the operation of the business, then exchange the property for the stock anyway. Simultaneously with the exchange (as in the example above), have the corporation lease the property back from the stockholder. Be careful to make the exchange at fair market value and the lease at a fair rental. It is strongly recommended that you use an appraiser to fix both the fair market value and the rent.

- Any appreciated property can be used. However, it is not practical to use personal property subject to a large amount of depreciation recapture. For example, use appreciated securities owned by the corporation, but *not* equipment.

And now a warning. Yes, it's just as easy as described above. Yes, it *does* work. No, the Internal Revenue Service will not upset your transaction if it is done *right*. But the "doing it right" requires an experienced professional. One false move in this simple-sounding, but yet, in practice, complex area can turn tax-free income into *dividend* income.

\*\*\*

Next month we'll talk about dovetailing your estate plan; inventories; and how inflation has increased limitations on qualified deferred compensation plans. Æ

These columns are prepared by Blackman, Kallick & Co., certified public accountants, under the watchful eye of Irving Blackman. Blackman, also an attorney and author of *Winning The Tax Game*, consults with businessmen around the country on the subject of taxes and profitability. Questions concerning these columns should be addressed to Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.



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# Auction Block



George Basel

## Our Industry's 'Stock Exchange'

**A**ction at auto auctions throughout the country is picking up considerably as the supply of gasoline becomes more available. And activity at the National Auto Auction Association (NAAA) also is increasing as Executive Secretary Bernie Hart is putting final touches on NAAA's national convention. The convention, Bernie says, will have a similar format as in past years and will be held October 4-7 at the Hyatt Regency Hotel in Dearborn, Mich.

One of the interesting things about the NAAA annual convention is that it attracts at least 90 percent of the association's membership as well as another 350 automotive fleet and lease people and many automobile manufacturer's representatives.

\*\*\*

In the Midwest, a new auto auction has been opened. Owned by Mike Hockett and Chet Goins, it goes under the name of Auto Dealers Exchange—or ADE. It's located at 8800 Brookville Rd., Indianapolis, Ind. ZIP is 46239. Auction day is Wednesday starting at noon.

ADE has 25 acres of fenced-in parking area; undercover check-in entrance; an indoor test drive track; and five auction lanes. Supporting facilities include wash rack, on-premises body shop, ladies' lounge and a cafeteria.

This facility was built new from the ground up and, as noted above, this must be the first indoor test track in the auction industry—great for the winter.

\*\*\*

In addition to his normal Tuesday night auction, Bill Kemp is adding another sale day to his Fort Lauderdale (Fla.) Auto Auction schedule. It's a Friday sale starting at 1 p.m. The auction is located near the Florida Turnpike at Exit 12, south of Fort Lauderdale.

\*\*\*

Sam Gelt, owner of the Minneapolis North Star Auto Auction and current president of NAAA, has a \$145,000 construction project underway at his auction to improve the cafe, car wash and reconditioning facilities.

\*\*\*

George Lamb of Colorado Auto Auction recently returned from Osaka, Japan, where he was invited by Nissan-Prince to view what must be the most modern car auction this side of *Star Wars*. It's a fully automated, computerized operation where all transactions are completed by means of push-buttons and magnetized "key" cards.

According to Lamb, the auction is housed in a two-story building on only two acres of land. It's a one-lane operation

with a mere 321 parking spaces and provides no wash rack or reconditioning facilities. All units must be registered in ready-to-go condition. If any car fails to meet the auction's strict standards, it's given the heave-ho and another unit quickly takes its place.

We'll hear more about the actual running of this amazing auction in a later column, after George Lamb gets all the details on paper.

\*\*\*

After 25 years at the same site, Bob McConkey, owner of the South Seattle (Wash.) Auto Auction, has purchased 28 acres of land eight miles south of his present place of business and has begun construction on a new auction facility.

When completed, Bob's new place will feature an auction arena with three lanes—two of which will have conveyor belts to bring the cars through the lanes. Very few auctions have this capability. The third lane will be for large trucks and RVs.

The new facility will have all the required amenities for dealers: an eight-phone dealer lounge; dealer coat and briefcase check-room; and, most importantly, a half-mile test track so cars can be tested before acceptance.

Occupancy is expected to be January, 1980. The new address will be 19443 76th Ave., S., Kent, Wash., 98031. **AE**

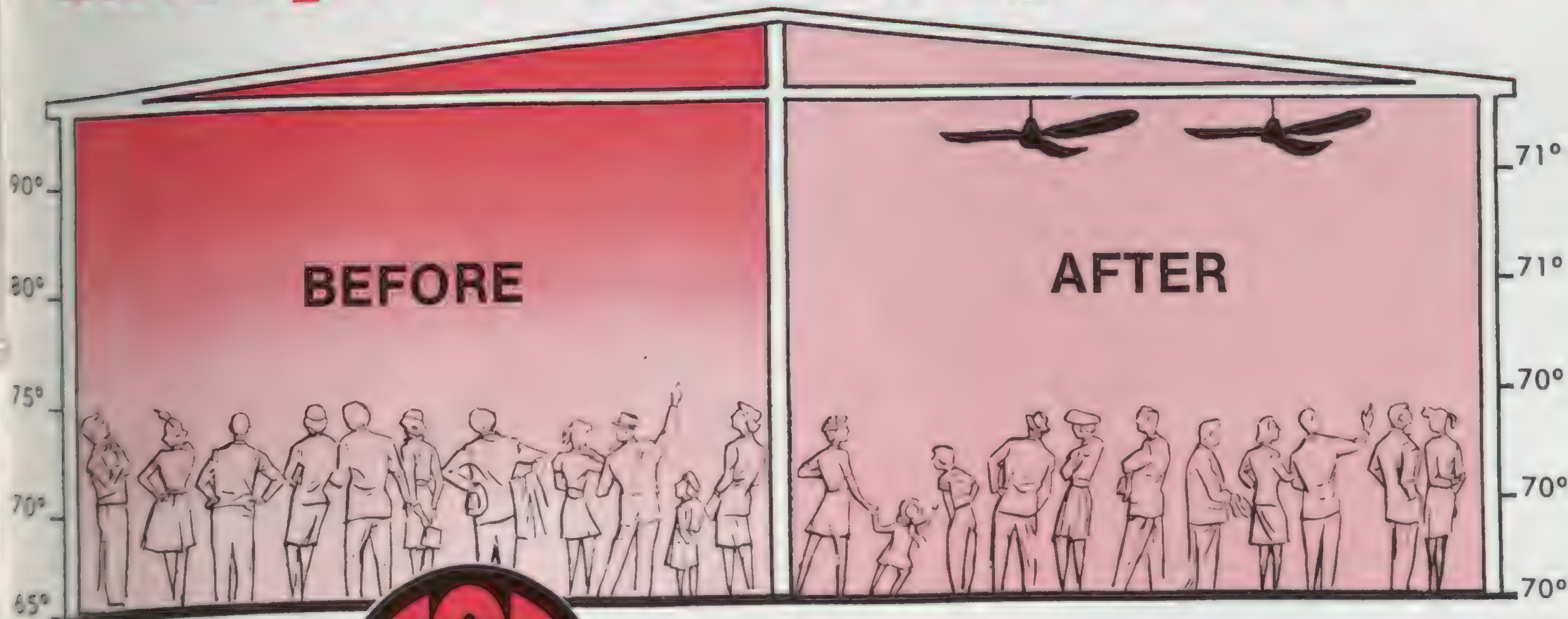
Auction Block is prepared exclusively for *automotive executive* by George Basel of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: George Basel, *automotive executive* magazine, 8400 Westpark Dr., McLean, VA 22102.



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# NADA's School For Tomorrow's Dealers





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**New automobile dealers can no longer step into the business prepared only to sell and fix cars. They must be ready to face more complex, demanding standards than their predecessors did . . . and the NADA Dealer Candidate Academy is designed to get them ready for it.**

---

By Sam E. Polson

**O**nce upon a time, a fellow could set himself up in a new car store just on the strength of a little automotive knowledge, a handful of cash, and a whole lot of guts.

Things aren't that simple any more.

Nowadays, the cash and guts still are essential ingredients, but knowledge and experience requirements have mushroomed to dizzying levels. A new dealer today can't step into the auto retail game prepared only to sell and fix cars. He or she also must be an able manager and must be prepared to satisfy the increasingly complex standards of government, industry, and a much more demanding, sophisticated public. Throw in the additional perplexities of inflation and a nagging energy problem, and the road gets even bumpier.

Time was, too, a dealer could simply pass his business along to a son, daughter or other relative when he got ready to bow out of the picture. But those days are gone, also. A manufacturer now has to be thoroughly convinced a dealer's designated successor can handle the whole job before a franchise changes hands.

These shifting patterns have been the cause of increasing concern to NADA officials in recent years. So much so that, in 1977, the Association's Board of Directors appointed a blue ribbon study group to evaluate the need and demand for a dealership successor education program.

The group's findings were clear-cut: dealers said they wanted and would support a

sound training program that would prepare successor candidates for the day they would step into the dealer's shoes. NADA decided the time was right for such a program.

It fell to the study group to investigate and recommend a course of training that would best enable a candidate to gain a comprehensive grasp of the skills needed to manage today's complex dealership. And it was here that General Motors Chairman Thomas A. Murphy and Marketing Vice President Bob Burger provided an invaluable helping hand by offering his corporation's complete dealer development program at no charge for use as NADA's training course.

The General Motors program was developed over a two-year period by the Jam Handy organization, with assistance by the University of Detroit, at a cost of \$1.3 million. It includes more than 40 hours of videotaped presentations by veteran franchised dealers and uses more than 2,000 pages of written materials to support classroom work.

After carefully surveying GM's program, the study group recommended that—with some modifications—it be adopted as the basis for NADA's successor course. The group further recommended that the program first be tested over an 18-month pilot phase comprised of approximately 14 weeks' classroom instruction supported by 64 weeks of controlled, practical dealership experience. The Board of Directors concurred and the NADA Dealer

Candidate Academy was born.

With this definite course of action determined, NADA moved quickly to set the program into motion. Classroom facilities were arranged at the NADA Education Center on the campus of Northwood Institute's Midland, Mich., site. NADA Performance Analysis Group Consultant John T. Clancey was appointed Academy Administrator. Students for the pilot course were recruited through dealers participating in NADA Performance Analysis Groups.

The Dealer Candidate Academy convened for the first time January 7, 1979.

Now, with more than a third of the pilot phase completed, how is the Dealer Academy being accepted? Probably the best indication of that came at the Board of Directors' summer meeting where the course was granted official status as an ongoing NADA program, open to the full membership.

Academy Administrator John Clancey recently talked to *Automotive Executive* and outlined the course curriculum for NADA members who may be interested in sponsoring a successor candidate into the program.

"The overall objective of the academy," explained Clancey at the outset, "is to train young men and women in every single department of the dealership . . . to bring them to a point where they're qualified to take over a franchise and operate it successfully and profitably."

To accomplish this objective, Clancey said, the 18-month pro-





*Members of the NADA Dealer Candidate Academy's pilot class at Northwood Institute in Midland, Mich.*

gram is divided into eight distinct segments of classroom and in-dealership activity. The first segment is completed right in the candidate's sponsoring dealership where he or she undergoes a two-week, self-administered orientation period. This orientation is guided by academy materials designed to prepare the candidate for segments that will follow.

Included in the program are segments on: dealership operations; service department and body shop; parts department; used cars; new cars; business management; and management skills. Each segment begins with a week to a week-and-a-half of classroom instruction and seminars.

"All of the classroom training sessions are very intensive," said Clancey, "generally running 10 to 12 hours a day."

Classroom activity includes videotaped presentations of five dealers discussing and demonstrating how each manages the department under study. Five different dealers are used in each segment, not only to assure exposure to different management styles, but also to highlight operations which are particularly successful in the department under examination.

Following the showing of these tapes, candidates discuss at length their personal evaluations of the various methods demonstrated. They conduct their own discussions in turn to assure maximum involvement by all participants. For review, each candidate



*John Clancey: "Classroom training sessions are very intensive."*

receives cassette recordings of the audio portion of videotapes shown in class.

In addition to the videotape presentations, other devices are employed in the learning system. Closed circuit television is used, with group critiquing, to improve communications techniques, articulateness and poise in public appearances. Special exercises are used to help refine attitudes and stimulate quick thinking.

Guest lecturers and experts from dealerships, manufacturers and other areas of the business are included in seminars where appropriate.

Following the completion of classroom work for each segment, candidates return to their sponsoring dealerships and pursue a care-

fully structured, closely monitored hands-on work program. These portions of the course are aimed at letting candidates experience every phase of each dealership department including the management end. In-dealership periods last anywhere from four to 17 weeks, depending on the complexities of the department involved.

During these in-dealership periods, sponsoring dealerships are visited by NADA Dealership Management Consultants who confer with candidates on assigned work and also brief dealers. Also, early in the program, each dealership is visited by Clancey to assist the dealer in setting up the necessary training plans. Department managers can then be introduced to the program and prepared for their role in supervising the work experience.

"We brief dealers," explained Clancey, "because they have to be aware of just how the program works and what's expected at the dealership level. . . . Candidates should have pretty much of a free hand around the dealership, but dealers have to supply guidance and discipline, when necessary, to encourage candidates to follow the assignments."

As an example of how in-dealership portions of the course are handled, Clancey outlined the schedule used in the service and body shop segment.

"After we complete a week's instruction in service department classes at Northwood, the candi-



date has 16 weeks of in-dealership experience where he or she goes back home and studies key job areas in the service department," Clancey said. "Those areas include dispatcher, cashier, warranty clerk, shop foreman, service advisor-service writer, body shop manager, assistant service manager and service manager.

"In each of these key job categories, the candidate performs for a certain number of days, doing everything that each one of those people would be responsible for—actually, physically performing those jobs.

"They have additional assignments, too. NADA has implemented some of its programs along with the GM material. Specifically, candidates do an NADA Service Department study and they complete forms on their service operations for a service and parts special study. We review these assignments—as well as discuss what each candidate experienced—at the next succeeding classroom session."

Clancey feels such discussions among the candidates about personal experiences are one of the real strengths of the Dealer Academy program.

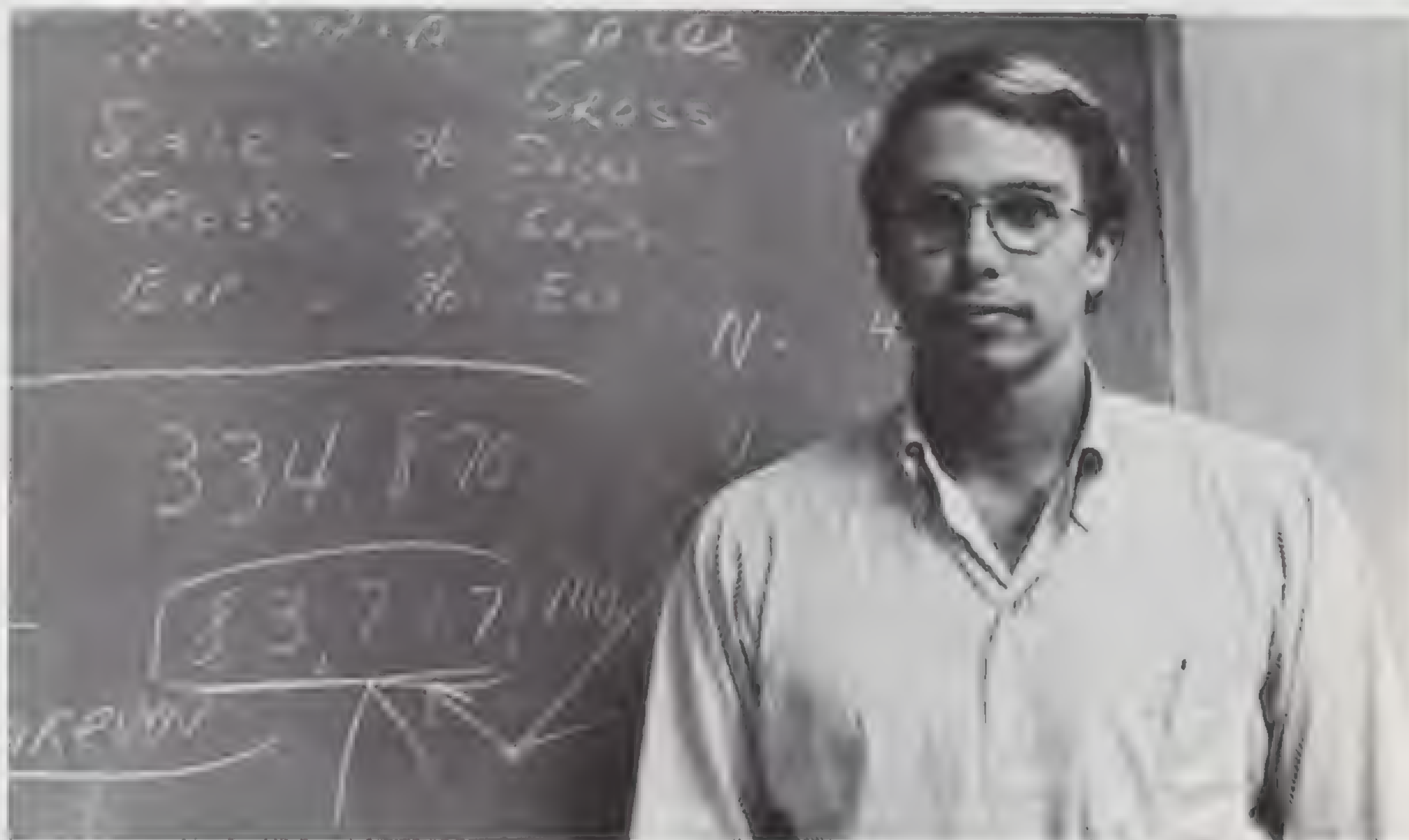
"This is what we call the *transfer of experience* learning system," Clancey said, "and it's simply this: one candidate may learn to accomplish a specific task or function in the dealership a certain way while each of the others learns perhaps another way of doing the same thing. We communicate and compare so we end up with maybe 17 or 18 *right* ways of doing something. This way, the candidates are exposed to a variety of methods and techniques from around the country instead of just the way it's always been done in their dealerships. . . . They get a better perspective on total dealership operation when they have this exchange."

After administering the pilot program for more than six months, has Clancey noted any areas in which the course might be refined for future classes?

"Yes," he said, "I think there could be some modifications made because of the high-caliber candidates we're getting. The General Motors Dealer Development Program on which the NADA course



Dan Kelleher: "It's definitely worthwhile!"



Richard Dimmit: "We're learning a lot from each other."

is based is geared toward people who are new to the industry. Our successor candidates, while younger on the average, are usually familiar with the business. Many are college graduates and learn very rapidly. They've had some years around a dealership and basically understand how things happen there. What they need to learn are the finer details of running an automobile dealership."

What are the major areas of progress Clancey has noticed among the candidates since the beginning of the academy?

"They're progressing very well," he answered, "but I think the most significant change has been in *attitude*. I'm getting reports back from dealers who say . . . they (the candidates) are coming back into the dealership and getting more involved in things. They are showing an interest in the business that they didn't have before."

And what about the candidates themselves? Do they feel the Dealer Academy is a worthwhile program?

"Yes, I think it's definitely worthwhile," said Dan Kelleher from Kelleher Motor Co. in Ellensburg, Wash. "It's given me some good, positive direction. . . . This is a tough program, but then this is a tough business we're in. . . . I'd certainly recommend the course to others."

Richard Dimmit from Larry Dimmit Cadillac in Clearwater, Fla., said he had no intentions of going into the automobile business as a career while in college but later changed his mind and found he had "to get a whole lot of learning in a very short time." The Dealer Academy, he said, was providing the answer to that situation.

Dimmit said he thinks the interaction between candidates at the academy is particularly important. "We're all going through the



*"... we had one dealer who made \$3,000 back after the first segment because his son returned to the dealership and improved his warranty system."*

same things at about the same time—running into the same problems and frustrations. You know, trying to take over a dealership isn't easy . . . but we're learning a lot from each other because we have a free exchange of conversation and ideas and it helps to reinforce the whole process if you can talk to other people who are experiencing the same things and can hear the ways they're accomplishing goals."

Has Dimmit learned anything at the academy he can put into practical use at the dealership?

"Oh, yeah," he said. "I've already taken a lot of ideas from our service segment and used them. It's changed a lot of my concepts on service and I've gotten more involved in the service end of the business. I've put in some feedback systems so I can get more information about what's happening in terms of ROs, sales, employee production and things of that nature."

Another pilot phase candidate, John Hubler from Hubler Chevrolet in Indianapolis, Ind., said he thinks the most important lesson he has learned at the academy is the need for running a well-rounded dealership.

"All you have to do is take a look at the dealership composites we study in class," he said. "I guess the average composite has about 15 to 18 dealerships on it and you can see that a lot of people are making a lot of money on new car sales, but they don't make much anywhere else in the dealership. When sales start falling off like they have recently, it's very important to be making money in every single department . . . parts, service and everything else in your dealership has got to carry itself."

Judging from these comments from Kelleher, Dimmit, Hubler and others at the Dealer Academy, the investment their sponsoring dealers have made in the course is going to pay off in handsome returns. And just what does it cost for a dealer to sponsor a successor candidate into the academy? Robert C. Daly, director of NADA's Marketing Division, talked about that.

"Tuition to the academy is \$5,000," he said, "plus travel costs between Northwood and the

dealership, and room and board at Northwood."

Does he feel those fees are a little steep?

"Well, look at it in the context of what it costs a dealer to send a son or daughter to a good private college," he said. "It's going to cost more than \$5,000 each year."

"Basically, this is a self-contained program that graduates the candidate with the ability to make it (program costs) back very early in the game. I honestly believe that just the consultation the dealer gets from our management consultants, from John Clancey, and from what the candidate brings back to the dealership with him, will pay for the program—even if the candidate never becomes a dealer."

"Why, we had one dealer who made \$3,000 back after the first segment because his son returned to the dealership and improved his warranty system. Not only did he find \$3,000 that was floating away at the moment, but he changed the system so that, over the years, he'll have a significant increase in warranty gross."

According to Daly, dealers soon will have the opportunity to make application for successor candidates in new Dealer Candidate Academy classes.

"We're making plans now for another class to start in the fall of this year, another in early 1980 and there's a good chance we'll have another one next spring," he said. Daly also told *Automotive Executive* NADA is considering plans that would place additional classroom segments in geographic areas other than just at Midland, Mich.—maybe in Texas—but that's further down the road.

To be eligible for attendance at the Dealer Academy, successor candidates must have at least a high school diploma, be over 18 years old, and have some experience in the dealership. An impartial selection panel will rate each application, Daly emphasized, and select the 20 strongest applicants for each class.

For complete information about the NADA Dealer Academy, dealers should contact John Clancey by calling (703) 821-7216 or write: NADA Dealer Academy, 8400 Westpark Dr., McLean, VA 22102.



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# NIADA: For Independent Dealers

Representing the final link to America's "Yankee Trader" tradition





It's been said the modern automobile dealer is our final link to America's once-proud "Yankee trader" tradition.

The term *Yankee trader*, in this context, of course has little to do with geographic origins or preferences. Instead, it's used to typify the dogged spirit associated with those legendary New Englanders whose livelihood depended solely upon their own wily resourcefulness and practical, hardheaded judgement.

Today's independent auto dealer perhaps embodies those rugged qualities more so than any other "trader" on the current American scene. Shunning what he perceives are the fetters of franchise agreements and factory direction, the independent sees himself clinging to those fading colonial traits and facing the considerable challenges of the used car market on his own terms.

In this era of growing government and consumerist activity in the auto retail industry, however, some view the independent dealer as a truly endangered species. Maybe that's why increasing numbers of independents are turning to the National Independent Automobile Dealers Association—or NIADA—as a means of unifying their efforts and making their common interests known where it counts.

But don't get the idea these dealers are uniting at the expense of their own self-reliance. It's more like they're relying on NIADA to provide a forum for proclaiming their "declaration of independents".

NIADA is no fledgling organization just getting its feet off the ground. It was formed in the mid-1940s with the idea of combating certain post-WW II regulations many independents felt were strangling their businesses. Growth in the association, however, was gradual until latter day government mandates—along with other market factors—sparked renewed vitality and more than doubled NIADA's ranks in the past four years or so. Membership now stands at approximately 8,500 and is growing all the time.

The association's average member is 47 years old and operates a 2.5-employee operation. With a staff of this limited size, it's

imperative for the dealer to be more personally involved with day-to-day operations than his larger, franchised counterpart is.

There are some franchised new car dealers who hold associate status in NIADA, but the bulk of the membership is comprised of dealers without franchise ties: wholesalers; used car retailers; and some auction people.

NIADA headquarters is located in Raleigh, N.C., where Daniel C. Ray II has served as executive director since June of 1978. Ray is no newcomer to this sort of endeavor, having held the post of assistant director and governmental relations manager for the Raleigh Chamber of Commerce for eight years at one span in his career. Prior to taking the NIADA executive directorship, he was deputy state treasurer and special assistant to the treasurer of North Carolina.

Currently heading up the dealer body of the association is President Joe Eikenberg of Baltimore, Md. Eikenberg has been an NIADA director since 1957 and has served the Maryland independent dealers association as secretary, treasurer, vice president (three times), president (three times), and has served his state board for 21 years. He was the first recipient of the National Quality Dealer of the Year award.

Recently, **automotive executive** visited both Raleigh and Baltimore to talk with these two NIADA officials about their organization, the way in which independent and franchised dealers can complement each other, and about the auto retail industry in general.

Speaking of NIADA's relationship with NADA, Dan Ray said he saw an opportunity for a very good working relationship between the two associations in a number of areas.

"Our organization—primarily because of the nature of its members—is more grass roots oriented," said Ray, "while NADA deals more in the areas of federal and manufacturer-related matters. I would see a good interrelationship. We could sort of scratch each other's back."

One specific area in which NIADA and NADA are working toward the same goal is combating the Federal Trade Commission's

By Dave Conrad

proposed used car sticker rule.

"When I took this job in June 1978," explained Ray, "we were in a sort of limbo with the FTC on the proposed used car trade rule. We got hit hard. They (the FTC) proposed an inspection that would involve some five dozen mechanical checks and a force of warranty. We were given six days in which to prepare our case against the rule."

"We didn't have an attorney. We had somewhat depended upon the good offices of NADA to represent some of our sentiment, but that really didn't give us the stature we felt was necessary. We felt the stature we wanted would be helpful not only to ourselves, but to NADA and the others who were already involved. We had to find an attorney, crank up a media campaign and organize some grass roots lobbying."

"We started working with some of NADA's legislative people and contacted the Small Business Administration. SBA felt we had a legitimate grievance and they agreed to get in on it. NADA was probably pleased to see us enter into the trade rule thing because we got out to the public. . . . We went out and gathered 63,000 signatures of people protesting this trade rule because they realized the burden of its cost ultimately would come back to them."

The increased cost, Ray pointed out, would be the result of inspections necessitated by the FTC rule if it were put in effect as proposed.

"If you put that warranty on a used car," said Ray, "a dealer would almost have to take the vehicle completely apart and put it back together again in order to protect himself. And that would be costly. It would cost several hundred dollars. Then, when you start multiplying that times a million cars sold each year, you're getting up into the *billions* of dollars. When you start talking—not millions—billions, you get Congress' attention."

Ray sees the effects of the proposed FTC sticker rule going far beyond just problems created for dealers who sell used cars. He



foresees problems for the nation's economy as a whole.

"When a lot of economically disadvantaged people make an automobile purchase, they just *barely* make it. And, in some cases, those people *have* to have a car to keep their job. If you increase that purchase price just to satisfy a nonessential regulation, you may just put those people on the public dole."

Looking at the national condition in general, Ray said he thinks the country is "regulation-crazy".

"Certain guidelines and requirements must be met in order to serve society's goals and objectives," Ray admitted, "but, at the same time, I don't think you should cripple the economic mechanism we have in the free enterprise system by destroying incentives."

It's Ray's opinion that governmental intervention is dulling America's incentives and, thereby, affecting initiative and productivity.

"We've got to become more realistic in our expectations of what the government can do," he said.

The auto retail industry—particularly the used car dealer—is in a good position to educate the public about many of our country's problems and how the free enterprise system can help solve them, Ray said.

"We need a real reordering of priorities," he said, "and I think that's going to have to come from the grass roots. That's why I really believe, if our timing's not too late, the used car industry can have an impact. . . . There are a lot of used car dealers in this country and, if we learn the grass roots political process, we can be effective."

But to be effective, Joe Eikenberg said the used car dealer is going to have to surmount the problem of *image*. "Dealers, in the last 10 years, have upgraded their facilities and become active in their communities," Eikenberg said, "but, for some reason, we're having a hard time getting this across to the public. We hope to use more public relations and other programs to bring our people before the public."

In spite of an uncertain market created by energy problems, used



Dan Ray

car dealers still appear to be confident, Ray said. He points to NIADA's national convention in Atlanta last March as an indication of the dealer's spirit. In addition to attendance being the largest ever at a convention, Ray said there was a definite sense of enthusiasm and unity. He said he felt the independents' faith in their association was bolstered by its growth and the unity displayed in opposing the FTC rule.

"There's a lot of autonomy in the association among the states," explained Ray. "This is good in some respects and not so good in others. . . . Because there was an earlier concern to have a lot of representation on our board, the representation has proliferated to the extent that now it's almost impossible to make any substantial progress. I think the association's aware of this. It's now just a matter of trying to retrench and do something about it."

Each of the state chapters has its own officers and board of directors with the state participating in the national association based on its membership. Annually, the NIADA Board of Directors elects eight officers: a president, five vice presidents, a secretary and a treasurer. The outgoing president becomes Chairman of the Board, creating a nine-man executive committee.

"In addition to the executive committee," Ray outlined, "each state is entitled to one representative on the Board of Directors for each 50 members. That's fair, but it needs to be adjusted because of the growth.



Joe Eikenberg

Basically, the responsibilities of board members are to receive input from dealers they are representing, to seek information about how dealers feel about certain issues, and to consider major goals, objectives and directions in which the organization should be going.

Ray has some definite feelings about what those objectives and directions should be. "In the next few years," he said, "our efforts are going to be strongly centered around promoting consumer acceptance of the used car dealer and promoting professionalism among our members. I think this is going to require new thoughts on some of the methods and procedures used by dealers. It won't necessarily call for a renaissance, but it will call for an *awakening!*"

Can NIADA and its members accomplish these goals? Ray is pragmatic but optimistic about it. "I don't have a magic wand to wave," he said. "No one does. I think the best way for us to work out all these things is to do just that—work them out!"

Joe Eikenberg echoes this optimism when summing up his views on the independent dealer body he represents: "The independent dealer prides himself on the fact that he *is* independent. He's an eternal optimist—I guess he *has* to be to get in this type of business. He's selling a used product that isn't perfect even when it's new, but it meets the transportation needs of the bulk of the American people. We serve a very useful purpose."

Now, that's the spirit of the true Yankee trader.



# **An Opportunity to Build Exists for You...**



**1979 First Annual Report  
of the  
National Automobile Dealers  
Charitable Foundation**



# An Opportunity to

If this great industry of ours is to make its mark nationally and reach its full potential, it must take advantage of every opportunity presented to do just that. Therefore, it would be beneficial to place the National Automobile Dealers Charitable Foundation in perspective so you might seriously consider continued support or initial interest.

**Public image.** For decades, dealers have said more should be done to strengthen our public image and many wholeheartedly agree with this contention. However, the lasting way for this to be accomplished has to be by way of good works. It falls in line that lasting credibility is received by doing good things as opposed to asking that people think well of an individual, group or association. Creating a favorable public image

is no different than anything else—you have to make the investment in order to receive the benefits.

Furthermore, other institutions have shown that it is possible to garner a favorable national public image, but it also cannot be accomplished overnight. It takes time, money, perseverance and dedication. These ingredients are well exemplified in our industry so we readily have the tools available. By sincerely utilizing all tools available, in time we could become as well known as the National Football League and the Shrine for national programs. These organizations have done so many outstanding things that they are probably two of the greatest examples to highlight and emulate. As you watch television the next few months you'll be con-

stantly reminded of what we say here.

Many organizations have as an avowed purpose the promotion of a mere favorable public image. This is what associations do because they have the advantage of using collective resources as opposed to the individual trying to promote something on his own. And when you consider the opportunities available due to the communications mechanisms available to this industry, there's just no reason why the new car and truck dealers of America couldn't be the most favorably regarded business group in the United States. Certainly it won't be done overnight, but that should serve as no excuse nor deter us from seriously beginning to change the situation.

Already, we've seen evidence that NADCF grants have created a more favorable image in specific locales. With that in mind, we offer you this opportunity to peruse this Annual Report which serves as proof positive.

**Tax deductible.** Since the foundation is recognized by the Internal Revenue Service as a 501(3)(c) organization, your contributions are tax deductible. So, it's possible to utilize personal as well as corporate deductions in line with federal law.

Presently, one of the main fund raising activities is the Founders Program. Many have already contributed or pledged \$1,000 to the foundation. Any individual, company or association contributing that amount through 1982 shall be forever prominently listed as a *Founder*. (Should you care to make a pledge, we're talking about \$250 per year through 1982.)

Other levels of giving are: Hon-





# Build Exists for You

orary Trustee, Benefactor, Associate, Patron, Friend and Sustaining Member. For further information, do feel free to contact the foundation and we shall be happy to discuss these categories in detail. They would be excellent to consider for estate planning purposes so we would be able to provide your attorneys or accountants with appropriate information.

**Primary areas of involvement.** In applying to the IRS for tax exempt status, it was necessary to state our areas of activities. The primary ones are: Emergency Medical Care; Economic Education and the Private Sector of Higher Education. The supporting rationale for participation in these is as follows:

*Emergency Medical Care*—It highlights the importance of the motor vehicle to that health care delivery system.

*Joint Council on Economic Education*—It has state affiliates in more than 90 percent of the states and they serve to teach the teacher the value of the private enterprise system. Teacher in turn will teach the students.

This industry should be in the vanguard of the tremendous effort to strengthen the private sector. Think what this country would be like without private institutions. Competition, freedom to choose and the right of individual self-determination are values we should continue to cherish and protect. The strengthening of the private sector of our society is what's going to make the public sector far more sensitive and accountable to the overall direction this country must take. If some of the private institutions had never had an opportunity to establish

themselves, we would never be the great country we are today and that is why it's important to emphasize some areas of involvement.

Economic education certainly is one because more needs to be done to graduate students who are economically literate. These people shall become the generations of voters in the future so they should have an understanding of costs and benefits.

Concerning the private sector of higher education, read this profound statement by one of the nation's foremost management experts who is presently Clarke Professor of Social Science at the Claremont Graduate School, Professor Peter Drucker:

*"We need your support and we deserve it not because of the job we do, but because you need us. You need our product, both in terms of human resource and in*

*terms of educational leadership and imagination which you are not going to get any other place.*

*"And, you need us because if the private college goes, I'm not so sure that business as the only non-governmental institution of this society, is going to be around very long. It's going to be awfully lonely, I can tell you that. And awfully exposed. And I don't have to tell you there are enough people around who think that any sign of diversity in our society is wrong, wicked and sinful. There are enough of them around.*

*"And, so you need us because we are your best protection. If we go, you are naked to your enemies."*

**Totality of effort.** No one individual, association or group can accomplish this program alone. However, if we utilize our collective resources into one precise purpose, we can make a far greater



Webster County (Iowa) Red Cross receives a Resusci Anne mannequin



impact. This is another reason for having the Charitable Foundation address national needs. Our programs will give us the opportunity to utilize the grassroots in the area of awarding grants. State and local associations continue to be the front line ambassadors for this great industry so it's natural that they be given the leadership role in making the presentations.

**Independent College Funds of America**—Represented here are 39 state and regional affiliates involving more than 520 independent/private colleges and universities. We have wonderful public colleges and universities, but the element of competition the private sector helps to present really benefits society in the final analysis. Good competition never hurt anyone—that's why we should be involved.

**Northwood Institute**—Because of its automotive courses, we should do all possible to strengthen such a program for the future benefit of our industry.

**Junior Achievement**—It doesn't just talk the private-competitive enterprise system, it involves the students in actually starting, running and dissolving a business enterprise. Be it service or product related the students learn through first-hand experience what it's like to be an entrepreneur.

Study the history of the private sector in our country and you'll find that its survival is the real long-range issue we're all facing in the final analysis this very day. Here's something which should be terribly provocative. It's taken from an annual report by Alan Pifer of the Carnegie Corp., entitled, *The Jeopardy of the Private Institutions*.

"Private nonprofit institutions serving the public good are one of those special features of American life so much taken for granted they have long since become obscured in a haze of familiarity," states Pifer. "And yet, if one has occasion to observe life in a nation where all activities are functions either of the state or of a single, authorized political party, the value of independent private institutions, to our perception of a good society, becomes freshly and arrestingly apparent."

Another activity which will cer-

tainly highlight the totality of effort within the industry is the Challengers Program. It was featured at the 1979 NADA Convention with the announcement that Kenny Kent of Evansville, Ind., was the first Challenger and desires to find at least 99 more. Again, this demonstrates that we are only limited by the extent of our imagination.

**Supplemental.** It should be well recognized that the NADCF is supplementary as you would think in terms of supplemental insurance. Naturally, the dealer's immediate community has to be his number one interest when it comes to philanthropy and "paying dues" to his community. However, there's also the point that should be made relative to the ability to do more than we have done. Research has been fairly well substantiated that the business community generally does not even utilize its full tax-free giving capacity. And the same would undoubtedly be true of our industry since we would possibly reflect the national average. The point is simply that the 5 percent corporate profit tax exemption is not even utilized to the half-way mark. That underscores well why more can be done and we should take advantage of this opportunity.

**Builder of the industry.** Do you desire to do something nationally about our industry's public image? Take heed then of this opportunity. It's urgent that you become involved in the National Automobile Dealers Charitable Foundation.

The trustees sincerely believe that there exists one tremendous opportunity to build greater public recognition for our industry by way of this foundation. Things will not be changed overnight, but by making the effort, they will come about in time. New car and truck dealers are committed individuals, persistent and can see the long run. So, we ask you to at least consider at this point to help the industry by becoming a **BUILDER of the INDUSTRY.**

In conclusion, here's a thoughtful reminder: Socrates said:

"The way to gain a good reputation is to endeavor to be what you desire to appear."

# NADA

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National Automobile Dealers Used Guide\*

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## Challengers

A Very Special Program  
 No. 1: Kenneth C. Kent\*, Evansville, Ind.



# Building by Giving . . .

The following organizations have received grants from the National Automobile Dealers Charitable Foundation:

**Emergency Medical Field.** University of North Carolina at Greensboro, Emergency Medical Association; Webster County Chapter of the American Red Cross, Fort Dodge, Iowa; Citizens for CPR, Inc., Salem, Ore.; Fairfax County Chapter of the American Red Cross, Fairfax, Va.; Honolulu Emergency Medical Program, Hawaii; Marin County Heart Association, Calif.; Whatcom County CPR Training Program,

Wash.; YMCA, Sheridan, Wyo.; Ulster County Chapter of the American Red Cross, Kingston, N.Y.; School of Nursing, Delta State University, Cleveland, Miss.; Sanford Public Schools, Sanford, Me.; St. Joseph Hospital, Lancaster, Pa.; Baystate Medical Center, Springfield, Mass.; Hillsborough County Heart Association, Tampa, Fla.; Limestone Volunteer Fire Department, Peoria, Ill.; University of Kentucky, Ashland Community College, Ashland, Ky.; Marion County Ambulance District, Hannibal, Mo.; Ambulance Division, Watts Hos-

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**Joint Council on Economic Education.** Georgia Joint Council on Economic Education; Georgia Council on Economic Education, Atlanta; New Jersey Joint Council on Economic Education, Trenton.

**Independent Colleges Fund.** New England College Fund, Inc., Boston; Virginia Foundation for Independent Colleges, Lynchburg; Northwood Institute, Midland, Mich.



Grant presentation to the Georgia Council on Economic Education, Atlanta





Fairfax County (Va.) Red Cross receives a Resusci Anne mannequin



New England College Fund, Inc. receives Independent Colleges Fund grant



Presentation of grant to Northwood Institute, Midland, Mich.



Emergency Medical Field grant to Hillsborough County (Fla.) Red Cross




Grant presentation to the New Jersey Council on Economic Education, Trenton




# National Automobile Dealers Charitable Foundation



## LEGEND:

 Cardiac-Pulmonary Resuscitation  
Training Mannequin Grant

 Economic Education Grant

 Private Higher Education Grant



# We're Not Just Dealers. . . .

## We're Transportation Specialists!

Modern automotive dealers in this day and age do more than simply deliver Detroit's products. They are in the business of selling transportation to the public.

By Frank C. Davis Jr.

**A**lthough I am what is known as a franchised new car dealer, I am inclined to think of myself as a *transportation specialist*. Automobile dealers do far more than delivering the products of the factories in Detroit, Flint, Lansing, etc. There are times, I am sure, when many of us wish our business was, indeed, that simple.

The modern dealer is actually a manager of resources and this tends to remove him from much of the day-to-day operations. We are aware of the profit centers, or certainly those areas within our organizations which should generate a profit. But, just how much do we know about what is taking place in this business which quite frequently bears our name?

Let me illustrate this point. A dealer friend recently called me. He lives in another part of the country, but his dealership is not so different from ours. In the course of conversation, he told me

of an incident he had just experienced, one which left him a bit uneasy and, at least temporarily, somewhat embarrassed. There was a car in their used car inventory which he was anxious to sell. At a social function, a friend asked him if he knew of anyone who had such a car for sale. My friend was more than happy to reply he had just the car and would be pleased to show him the automobile the next day which happened to be Sunday.

The two met at the dealership the next day and the owner showed his friend the car and then offered him a ride . . . "as soon as he could get the keys." After a long search, he found them. In fact, it occurred to him there was much he did not know about his used car operation.

He fully understood he was a used car dealer as well as a new car dealer. His main concern was the DOC sheet. He also knew that he did not especially want to be in-

involved in used cars. He just didn't like the way it sounded: "used cars". But, he is a practical man and understands that it is in his best interest to become better acquainted with this important part of his business. The final wash-out profit becomes a reality.

Well, his story gave me cause to think about myself and what it is I do in this place where I spend most of my awake hours. Have I also become a money manager rather than a well-balanced transportation specialist? Are there parts of our business I unknowingly avoid? Used cars give me no problem, that's how I started in business, but what of other areas? Indeed, how long has it been since Frank Davis actually sold a car without assistance. I mean *sold* one . . . the whole thing?

This you can rely on: without interfering in the established routines of our operation, I intend to be an occasional salesman on both new and used cars. Quite





## ... We're transportation specialists!

candidly, I intend to become better acquainted with our entire operation and I am on fairly close terms with it as it is. A dealer can, if he chooses, delegate authority but, as long as his name is on the franchise agreement, he cannot delegate responsibility.

Let me return to my earlier statement that I regard new car dealers as transportation specialists. I should like to amplify that even though I know I will be saying nothing new. We not only stock an inventory of new and used cars, but we endeavor to match the buyer to the car. At least that is the approach we take. The truly successful dealer is he who sells a car with which the buyer will be happy, or at least satisfied. We sometimes help a customer dispose of his old car by wholesaling it "out front". A car which, for one reason or another, we do not wish to take in our inventory.

In other situations, it may be beneficial to persuade a customer he should use his car as a trade-in when he intended to buy from us on a "straight sale" basis and sell his old car to someone else. It would be to our benefit IF we can take the trade and sell it—either to our customer's prospect or to someone else—at a reasonable

profit.

Consider the parts inventory we stock. The costly service department. We provide financing. We arrange for insurance. Many of us are involved in leasing and daily rentals. We are in an integrated people-moving business and, if we are doing our jobs correctly, we are, indeed, transportation specialists.

Do you remember the stock reply of your childhood—"If you're so smart how come you ain't rich?" Well, when we consider the state of the automotive retailing business at this time, we must wonder how in the world so many specialists find themselves in so much difficulty. What has happened to these thousands of specialists who are apparently dealing in the wrong car at the right time? Are we victims of a system over which we have little or no control? There are those who feel that way. They contend that we are given the responsibility to sell a product to a consumer, yet we have no influence over the design of the product; over the overall volume; or over the product mix. These determinations are usually made by those well removed from the firing line.

The situation is comparable to war. The strategists draw up the

plans and those of us in the tactical area must execute them. The system usually functions adequately until an unforeseen external factor is inserted. Then, the first to feel the effect is the dealer, the guy on point. The manufacturers, further upstream and with their own set of unique problems, continue to produce cars which cannot be sold, thus making a bad situation worse.

I recently attended a meeting in which representatives of several manufacturers were present. The clear word was, "We will continue to manufacture big cars this year . . . and next year as well." It was further observed there was no real choice. They were committed. We left the meeting with the understanding that, "They'll make them and we'll sell them . . . one way or another." Heaven help dealers who don't have a balanced operation with at least five profit centers.

So, here we are in August 1979 (I mention the date because who knows what will take place between August 1 and September 1?) with record inventories of big cars for which there is relatively little demand. These big cars will have to be sold by us—the transportation specialists—and the sooner the better, because the 1980s can't





be held off forever.

There are many obstacles in the way of selling these cars and each of us knows what they are: the crisis situation precipitated by an uncertain gasoline supply that was, and is, the real kick in the head; the higher cost of gasoline at the pump. (But, gasoline has actually risen less in price over the past five years than many other goods or services); there is now the fear of recession. (Are we actually in one and, if so, how long will it last?); social pressures are arising which result in many turning away from the so-called "big, gas-guzzling car"—even when many of the late model big cars are as economical with fuel as some of the highly touted imports; then, there is pressure from the government, state and federal, but especially the latter.

The net result of these factors is the astonishing deterioration in values for bigger used cars. Our ability to make a deal on a new car when a big used car is offered in trade is very limited. I find myself reluctant to accept these significant deficits and it is not hard to sympathize with the customer who leaves with his older car because he cannot afford to trade up to a new car.

There are many of us who have

cursed those of the news media because, although they may not have started the fire, they have sure fanned the blaze. But the degree of overkill with regard to the "dinosaurs from Detroit" can be a blessing in disguise. Although many new car prospects are genuinely shocked at the devaluation of their car, there are others who are relieved that their old sleds have any value at all. Instead of owning a worthless hulk, as many of our objective reporters would have them believe, they are happy to learn that their car is still valuable and many feel as if they have found a substantial sum of money. A situation like this is a happy one with both sides winning.

These same objective reporters forget that they also are "owners" and may have cost themselves many dollars. Their cars make up a good part of their net worth.

There is no question that business is anything but good—I mean for those of us who are just plain domestic dealers and in lines without a truly small car. But, are things as bad as they seem or have we, too, been reached by the bad-news boys? We, in Nashville, are experiencing a shortage of good, clean used cars, both big and

small. This is not unexpected with new car sales being what they are. We are advertising we need good used cars—large and small—and this is not just a promotional stunt. We *mean* it. We are Buick dealers and we are well supplied with the bigger cars. We have what you might describe as an ample supply of Electras. But, we could use certain used Electras. At this time, we do not, have in stock a used 1977 or 1978 Electra coupe. Speaking of older Electras, we have a friend in the Chicago area, another Buick dealer, who does well with them. His used car ads always feature an Electra at a very attractive price. It is another case of knowing true value and in knowing your market.

There are those who compare this period with the winter of 1973-74. I do not. For one thing, although there is a degree of over-reaction on the part of the public, I do not believe it compares with the panic of the "embargo days". The mood is different. Buick cars have been down-sizing for the past five years and gas mileage has greatly improved. Astute buyers are picking up remarkable bargains in this upside-down market but the future is clear: a new generation with new tastes is moving in. But the older generation still



loves its big cars. We in the industry must be resilient and accept what is—assuming you wish to survive.

It is strange how rumor begets fact. A story starts that there is a shortage of a good and the public rushes to buy and hoard, thus creating at least a genuine *temporary* shortage. Harry Lawrence promised to start a rumor there is a shortage of big cars. He explained we would first have to hide our inventories from sight. At our store, new car inventory, yes, but not the inventory of used cars. The past 45

days, we have aggressively searched for clean used cars and we find a shortage in this part of the country.

What do we do in this period of adjustment? I wish I had the answers. I have read everything written by anyone. We have tried just about everything. I have heard, at least 100 times, this choice bit of advice: "Go back to the basics." That reminds me a little of advice one gets from many stock market manuals: "Buy low and sell high." What is meant by "Get back to the basics"? We have always operated

on what we believed were sound business principles. It is true, some of our sales people may have turned more to order-taking than to selling, but they were not so far removed from reality that they were lost. When you have 50 buyers for 20 Rivas, it is pretty easy to omit the hard sell.

This publication has, for the past three issues, carried articles related to the big car problem. There is no question that much of the material offered was useful. We certainly put some of the suggestions to work. But, I think each of us must meet the challenge with what he has. There were a few who were already running as hard as they could *before* the energy crisis and to tell them to return to "the basics" is, at best, gratuitous.

In a sense, we were lucky. A problem not related to the fuel crisis caused us to go over our used car inventory very carefully—before the bust. Just by chance, we swallowed our losses while they were still digestible. We have been in a good position with used cars since, but that was just plain good luck.

We do the normal things a dealer in big cars must do. We stress safety, comfort, elegance, durability, prestige—all the accepted concepts. We point out the cost differential between a well-equipped big used car versus the small new car and translate the difference into driving costs. This is an effective method if you can get the buyer's attention and keep it. We trade intelligently—at market. We have taken our lumps, as many as we can absorb, and the customer who owns a trade which is not suited to the times must take his. We know certain older model cars move slowly and we explain this to the prospect. A surprising number are quite aware of market conditions.

I would recommend that all manufacturers concentrate on used car programs, sales training, product information, reconditioning techniques, etc. There should be incentives for sales managers and used car salesmen. As new car prices escalate, used car prices must follow. If not, the trading difference can—and will—eliminate many prospective purchasers.

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GM's corporate advertising which stresses comparable EPA mileage findings have been most useful to us. All imports are not fuel-economical and we know it, but it helps to have it in print, "in the paper".

I can't be critical of GM or Ford in their build-out of 1979 model cars. In January and February, we were all concerned about not having enough Electras. Ford and Lincoln-Mercury plan to market the last of their big cars in the manner of GM in 1976. (August 1976 was the most profitable of any August in our 31-year history.)

My friends with import stores were very concerned in March. Sales in January and February were off considerably. GM's X-body cars were on the way and GM was committed to the largest announcement advertising program ever. Policy errors and DOE's gasoline allocations resulted in an environment that completely upset traditional values. GM's advertising of the X-bodies, coupled with the gas crisis, inadvertently hurt the sale of big cars.

In our dealership we wonder about the possible effect of the lease cars which will be entering the used car market. How many will be entering the market? What will be the mix and what will be the timing?

There are many who say the prices on big cars have bottomed out. We agree, and we hope so. One thing, it is difficult to see how new model introduction could further depress prices.

The rebate program is necessary for the survival of many dealers and should continue until the stock of 1979 models is disposed of. The amount of the rebate should be increased periodically to help offset the floor-planning. The dealer outlets are the life blood of this business and their numbers should be preserved.

In closing, we know of no magic formula which will lead us out of this situation. We do know this: the attitude of the dealer will be the attitude of his employees. We are in the business of selling transportation and we plan to stay in this business. We have been working harder and we shall continue to work hard. This is what we do. This is what we enjoy. And, we are going to stick at it. **Æ**



**About the author.** Frank C. Davis Jr. has been a Buick dealer for 31 years and is entering his third term as NADA Director for the state of Tennessee. He serves on the NADA Finance Committee, New and Used Car Merchandising Committee, and chairs the NAD Used Car Guide Book Committee. He has authored numerous articles on used cars including one about the merchandising of high-mileage units which both Ford and GM featured in their respective publications. Davis is past president of: the Tennessee Automotive Association; Nashville Auto Dealers Association; Rotary Club; and Boys Club. He currently is chairman of TAA's insurance trust, chairman of the finance committee for the Nashville Memorial Hospital, and director of the United American Bank. He is a former U.S. Air Force pilot and flies his own twin-engine light plane. Davis and his wife, Grace, have two married daughters, Fran Manscill and Joanne Peacock.

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# Transportation Damage—

It's More  
Than Meets  
The Eye

**A solution to transportation  
damage problems is within reach  
if dealers will work to change  
their legal environment.**

By Walter E. Huizenga





It was a cold and snowy evening in late November. The dealership personnel had gathered around the showroom front window to watch the transport truck driver unload the fresh batch of brand new Oldsmobiles for the waiting customers. As the driver commenced his duties, it became apparent the new diesel Tornado on the top of the truck was to be the plum. Several salesmen began to call customers who had been inquiring for the unit. The sales manager began to envision the unit in the showroom attracting the throngs of would-be buyers into the store. Then, just as the driver was moving the ramps to lower the car, it began to roll—right off the truck and into the used car lot.

Transportation damage has come to be known as any damage to a vehicle prior to its delivery to the dealer, whether the damage is carrier damage, marine damage or plant damage. The legal liabilities of the dealer to the customer for disclosure and repair of these damages are great. Until recently, similar liabilities of the manufacturer to the dealer and the customer have been nonexistent. Recent trends in the area indicate that a solution to this inequity is within reach through effective education of the consuming public and/or new legislation. An effective industry-wide policy concerning transportation damage will be beneficial to the industry and the public alike.

*Legal exposure of the dealer.* At the present time, the legal exposure of the dealer is great in the area of transportation damage. Today's consumer has several remedies available for the satisfaction of complaints in the marketplace. But, there is no consensus among the states over penalties, or legal theories of liability. Examination of six cases reported in past NADA publications indicate that no state's theory of recovery is the same. Cases in Kansas, Maryland, Missouri, Alabama, and Iowa have resulted in findings against the dealer. All of the cases were argued under state

consumer protection laws—a dealer's failure to disclose transportation damages as an unfair and deceptive trade practice.

In none of the cases were the complainants successful in reaching the manufacturer for damages. Also, no consensus exists whether a willful failure to disclose transportation damages constitutes an unconscionable act, therefore justifying punitive damages, and no formula has been derived for computing damages. The cases have resulted in fines for deceptive trade practices, plaintiff's attorney's fees and restitution for the value of the damages incurred.

An examination of the state consumer protection laws reveals one certainty—no state is without one. (We have not even considered the existence of local consumer protection ordinances, which have proliferated in recent years.) In many states, a customer has a choice of complaint under the Motor Vehicle Code, Uniform Commercial Code, Uniform Deceptive Trade Practices Act, or other consumer protection laws. In states that regulate under manufacturer/dealer licensing laws, the dealer may also have his license suspended or revoked for flagrant violations.

What can the dealer do? One solution is to limit liability via state legislation. Four states have passed damage disclosure laws: Idaho, Kentucky, Wisconsin and Wyoming. In addition, Alabama, Delaware, Massachusetts, Michigan, Missouri, Rhode Island and South Carolina have considered similar laws since 1978.

The typical damage disclosure law requires disclosure to a customer of uncorrected vehicle damage exceeding \$300 or 6 percent of the suggested retail price of the vehicle, whichever is less. Damage to items such as glass, tires and bumpers, when replaced by identical manufacturer's original equipment, is often excluded from this rule.

Although it can be argued that a statute of this nature may not be protecting the dealer's interests, the statute eliminates any am-

*At the present time, the legal exposure of the dealer is great in the area of transportation damage.*



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biguity surrounding disclosure of transportation damage and protects the dealer from nuisance lawsuits. It should be noted that, in the past, many outrageous damage verdicts for consumers have resulted from cases involving minimum transportation damage.

Unfortunately, the disclosure laws still do not address the dilemma faced by the dealer who receives a brand new four-door Caprice convertible because the transport driver tried to take a 14-foot bridge with a 14-foot, 6-inch load, i.e., damage exceeding the \$300 or 6 percent rule. The dealer must either accept the damaged vehicle, repair it and then disclose the damage, or run a significant risk of not disclosing. When required to disclose damage of this

*To a limited extent, it can be argued that the manufacturer has the best of both worlds . . .*

extent, the realities of the marketplace will dictate a much reduced sales price for such a unit.

Under the UCC (which is the law in every jurisdiction, except Louisiana), the dealer may reject the vehicle if it does not conform to the order, and certainly a significantly damaged vehicle does not conform to the order. Unfortunately, it is very difficult for a dealer, as a practical matter, to reject a vehicle, and if he does accept it, there is little recourse available to him for the lost profit opportunity.

**Manufacturers' liability.** As the early cases indicated, consumers have not as yet succeeded in holding manufacturers\* liable for in-transit damage. The contractual

\*NOTE: As the contract of sale is between the dealer and the customer, and not between the manufacturer and the customer, the manufacturer has been able to shield itself from consumer liability. Additionally, there are no recorded cases where a dealer has attempted to seek damages from the manufacturer for this loss.

arrangements of the manufacturers with the carrier, as well as with the franchised dealer, have shielded the manufacturers from the courts.

To a limited extent, it can be argued that the manufacturer has the best of both worlds, in that the manufacturer is able to collect for transportation damage from the carrier, but is free from damage liability to the customer. An additional advantage has been their sustained ability to keep the cost of transportation damages received from the carriers secret. Under ICC regulation, the manufacturer can be "made whole" by the carrier, while the dealer is left to suffer the choice of the economic loss of disclosures as against the legal exposure of silence.

Since the manufacturer chooses the carrier, contracts with the carrier, and handles all claims surrounding transportation damage with the carrier, ICC regulations provide that the carrier is liable to the manufacturer for the difference between the fair market value of the product if delivered whole, and the value of the damaged product.

**Products liability.** A fast developing area of state and federal law is moving into this issue of transportation damage. In the last three years, products liability legislation has been introduced in virtually every state legislature and also in the federal Congress. Although no manufacturer has managed to escape from products liability for defective products, states are just now turning to the question of damaged products later restored by the manufacturer.

Ten states now have clauses included in either a products liability law or a manufacturer/dealer licensing law that require the manufacturer to indemnify the dealer for any actions arising out of a products liability lawsuit. These states are Arizona, Arkansas, Indiana, Kentucky, Michigan, New Hampshire, New Jersey, North Dakota, Virginia, and Wyoming. Of the 10 states, Kentucky, Virginia and Wyoming specifically address the transit damage problem, and require the manufacturer to indemnify the dealer for actions.



One obvious rationale behind these statutes is that the manufacturer represents the vehicle as a new product whether it has sustained damage and has been repaired or not. As the dealer is well aware, many states' attorneys general have not been so inclined to this viewpoint. Perhaps as part of the *Orrin Fox* attitude (see *Carse/Trucks*, July, 1979), state government will now realize that a balancing of the manufacturer/dealer inequities is in order. The states are now looking to the manufacturer more and more to accept the liability.

Of the 10 states with indemnification clauses, seven are new as of 1978. But, again, as with the disclosure laws, the indemnification clause only solves half of the problem. The dealers cannot rest until a solution is reached that ends transportation damage problems before they reach the courtroom.

*The New York solution.* Ford Motor Co. in December, 1978, announced that any vehicle receiving more than \$300 in transportation damage would not be sold as a new car, but would be repaired and marketed as a used vehicle. This agreement was a direct result of not only input from dealers nationwide, but most specifically was a nationwide implementation of a similar agreement reached between Ford and the New York Attorney General.

The key to the Ford solution lies in those states which have enacted damage disclosure legislation. In other words, Ford has agreed not to deliver vehicles with more than \$300 in damages in those states with legislation. No disclosure is required for vehicles sustaining less than \$300 in damages. Ford dealers in these states should have no transportation damage worries.

The franchise agreements of Ford and General Motors both provide that the manufacturer will indemnify and hold harmless the dealer for any transportation damage loss where the manufacturer has not notified the dealer in writing of the existence of the damage. While there are exceptions and some exclusions, these agreements do give the dealer relief in the instance where the dealer is unaware of the existence of the damage or a unit has been repaired, and then delivered to the

dealer. It is the opinion of counsel that this is about as far as one can go in the franchise agreement to provide protection for the dealer. Additional protection should be pursued through legislation or other government agencies.

The action by the New York Attorney General, and the increased activity in state and federal legislation in this area serves as a warning to the industry that the time has come to act. New York is reported to be investigating the in-transit damage problem with other manufacturers. No less than 20 states have had legislative activity on this issue in the last three years. And now, virtually every domestic manufacturer has begun to look at this problem.

***The dealer cannot rest until a solution is reached that ends these problems before they reach the courtroom.***

*NADA model clause solution.* Under the direction of President William C. Doenges, the NADA Legal Group has been developing a series of model Manufacturer/Dealer Licensing Law Clauses on a wide variety of issues including transportation damage. The clause developed by NADA states that the dealer will not be liable for damage to a vehicle until *after* acceptance from the carrier unless the dealer selects the carrier or delivers his own vehicles.

Additionally, the clause states that the dealer must disclose damage to the vehicle exceeding 6 percent of the manufacturer's suggested retail price (excluding glass, tires, and bumpers when replaced by original factory equipment). The law is silent, but leaves the implication that damages less than 6 percent will not have to be disclosed.

The model clause further clarifies the situation regarding rejection of damaged vehicles by stating that when the damage ex-

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ceeds the 6 percent rule, the dealer is not required to accept the car or truck, and the damage not exceeding 6 percent is *not* grounds for a customer's rejection.

*Conclusion.* Dealers can work to protect themselves by changing their legal environment, if laws similar to the NADA model are adopted. More important will be the benefit to the customer and

the increase of customer "goodwill" through the elimination of unwanted "surprises".

By the way, remember the Toronado? Well, it rolled off of the truck and right through the used car lot, coming to a stop with absolutely no damage to anyone or anything except the dealer's heart.

Some stories have happy endings. Æ

**About the author** Walter E. Huizenga, chief counsel of NADA, is a native of the "Show Me" state and holds an MBA and a law degree from the University of Missouri. Additionally, he has received an L.L.M. in taxation from Georgetown University in Washington, D.C. He joined the Legal Department of NADA in May of 1975. In June of 1976 he became the Industry Relations Counsel, and was appointed to his present position in December of 1978.



**Next Month—**

*Manufacturer/Dealer Licensing Laws:  
An Overview*

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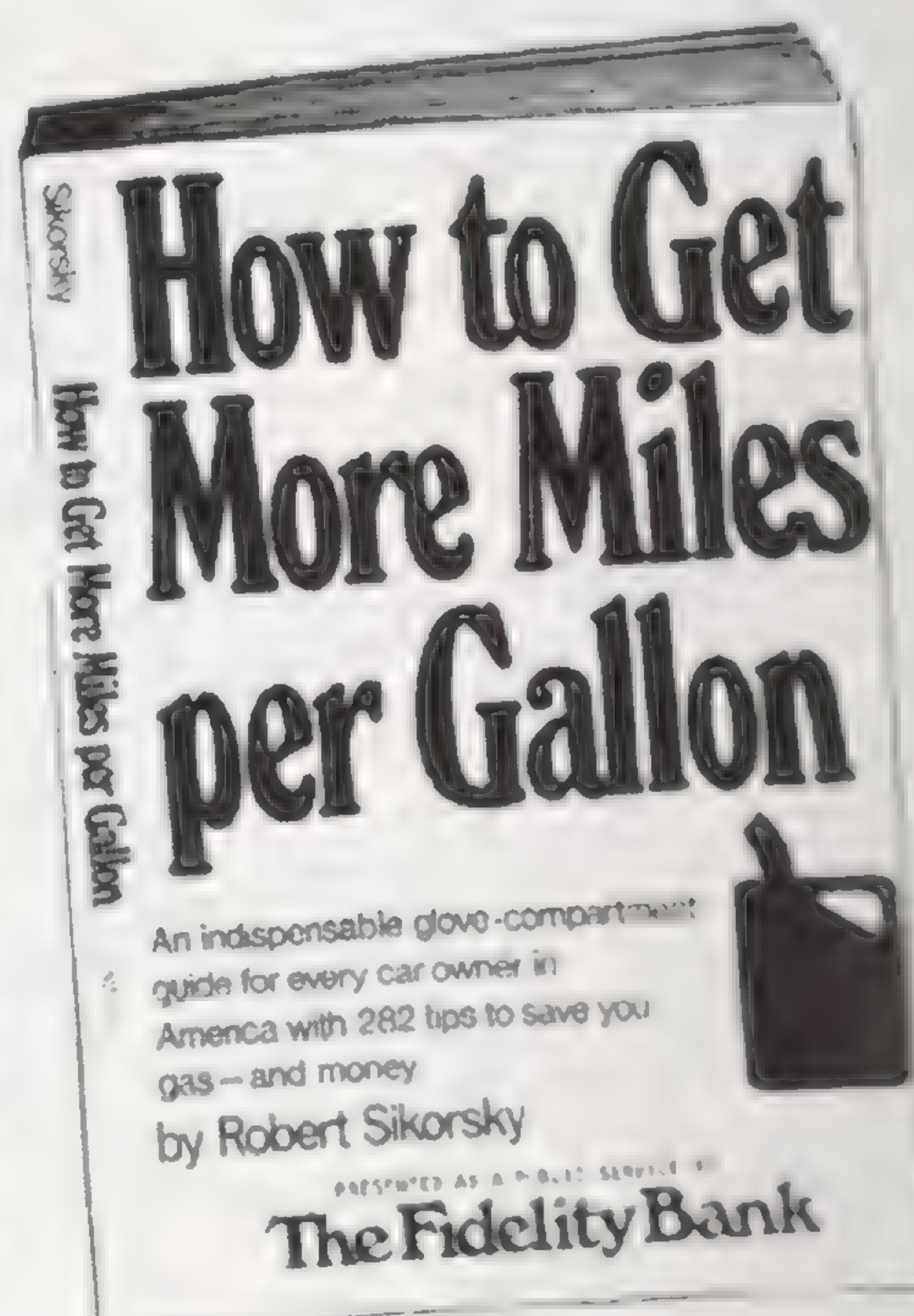
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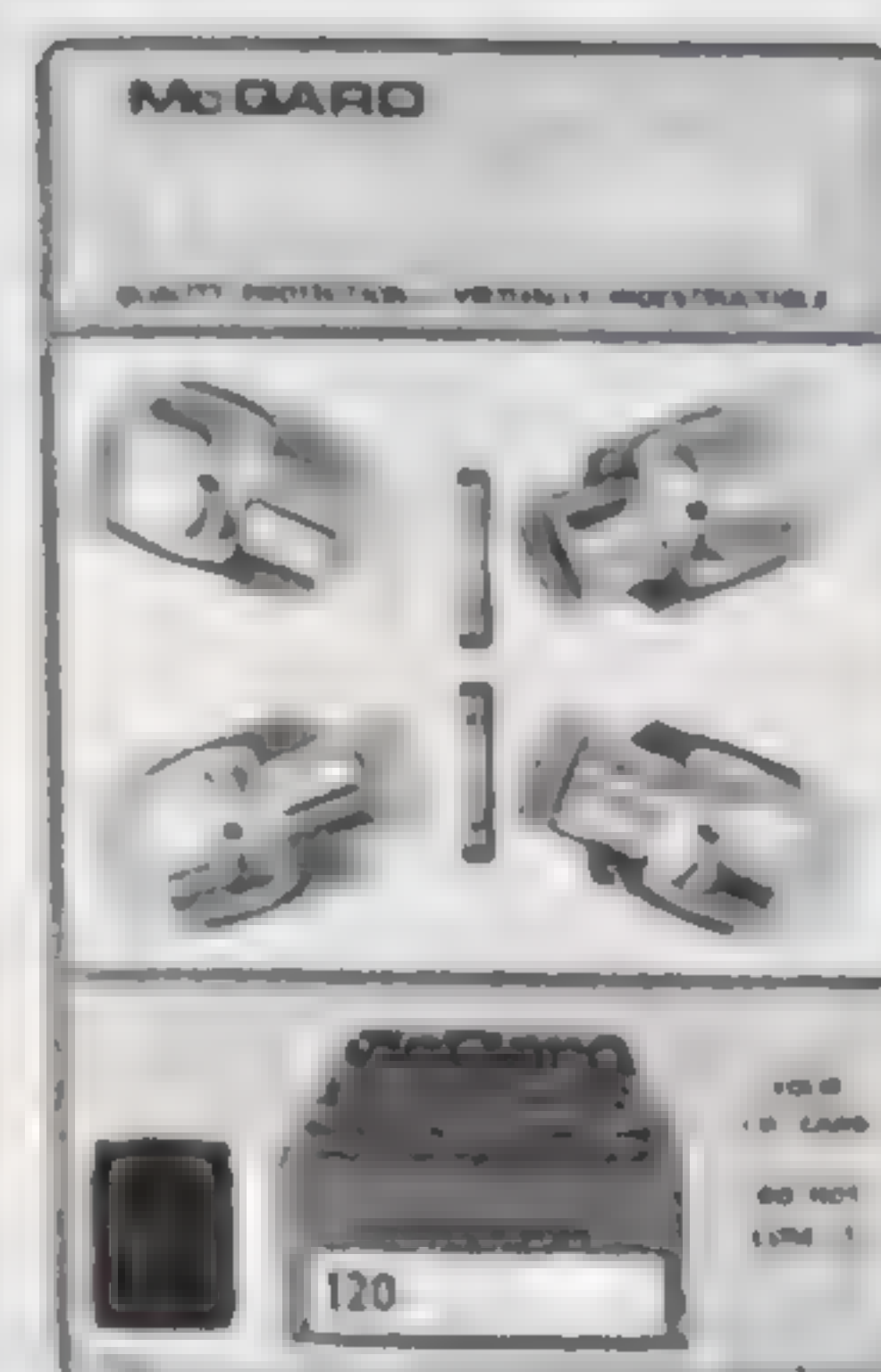
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# PROBLEM:

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Today, as the '70s wind down, the situation is even more complicated than usual. Between mileage regulations and recalls, customer dissatisfaction and inflation, fuel uncertainties

The  
profit  
squeeze  
is on.



and recession talk, the profit squeeze is really on.

Which means that management has more and harder decisions to make, to fine-tune the organization for maximum yield.

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wagen-AMC-Jeep in Greenville, South Carolina, has increased fleet sales and upped parts sales 5–10% each year.

If you haven't talked with your problem-solving Bell Account Executive lately, you're missing something.

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# Is It Time For A Computer In Your Dealership?

Some type of computer system may be needed in your store to keep the business from sinking under a mountain of paperwork. The question is, what type of system do you need?

By Lawrence D. Dietz

**I**f your sales volume is growing, if your business is getting increasingly multifaceted and complex, then it's quite possible your foundation is creaking under a mountainload of paper.

It's largely because of that mountain computers are becoming more and more a part of our daily lives. To stay competitive, auto dealers and a host of other businessmen are realizing they have to find ways to move the mountain faster. To stand pat is to find eventually one or another department slipping in performance and profitability.

There are essentially four reasons to use a computer: to increase revenue; to increase productivity; to decrease costs; or to make better decisions through better information. Without at least one of these, your move toward sophistication would be an unsophisticated mistake.

If you know that computers are for you, you've got to know, too, that not just any computer will do. Just as the average salesman should not even be allowed *near* a wrench, a dealer should make very sure he's employing the right computer tool for the right job.

That necessitates a little bit of knowledge about the machinery involved. Computers differ in

physical size, how much information they can handle, how fast they can work, and what other computers (if any) they can talk to. But, all computer systems are expected to handle four basic and primary functions: input, processing, output, and storage.

The input function, of course, concerns getting information, or data, into the system. In computers common to dealerships, it can be handled in a variety of ways. Some dealers have systems which utilize a cathode ray tube, referred to in the trade as a CRT.

This is really nothing more than a TV set hooked up to a typewriter-like keyboard, which is linked in turn to the computer. It is *the* most popular form of input device.

Other common devices include the simple parts pad, used by counter people to mark down the number of parts sold, received, and returned. The pad employs carbons, and one of the copies is sent to a processing center where key punchers go through a second step and make up cards or some other intermediary media which is then fed into the computer.

Other types of input include teletypes which talk to the main computer over telephone lines, and there are also combinations

and variations. A good example of the latter is a terminal composed of the CRT, a typewriter keyboard, and a cassette. The cassette stores the information entered from the keyboard and later sends this input to the main computer over the telephone lines.

The processing operation, though, is the one thing that really separates the various computers into distinguishable classes. Essentially, there are three: micro computers, minis, and mainframes.

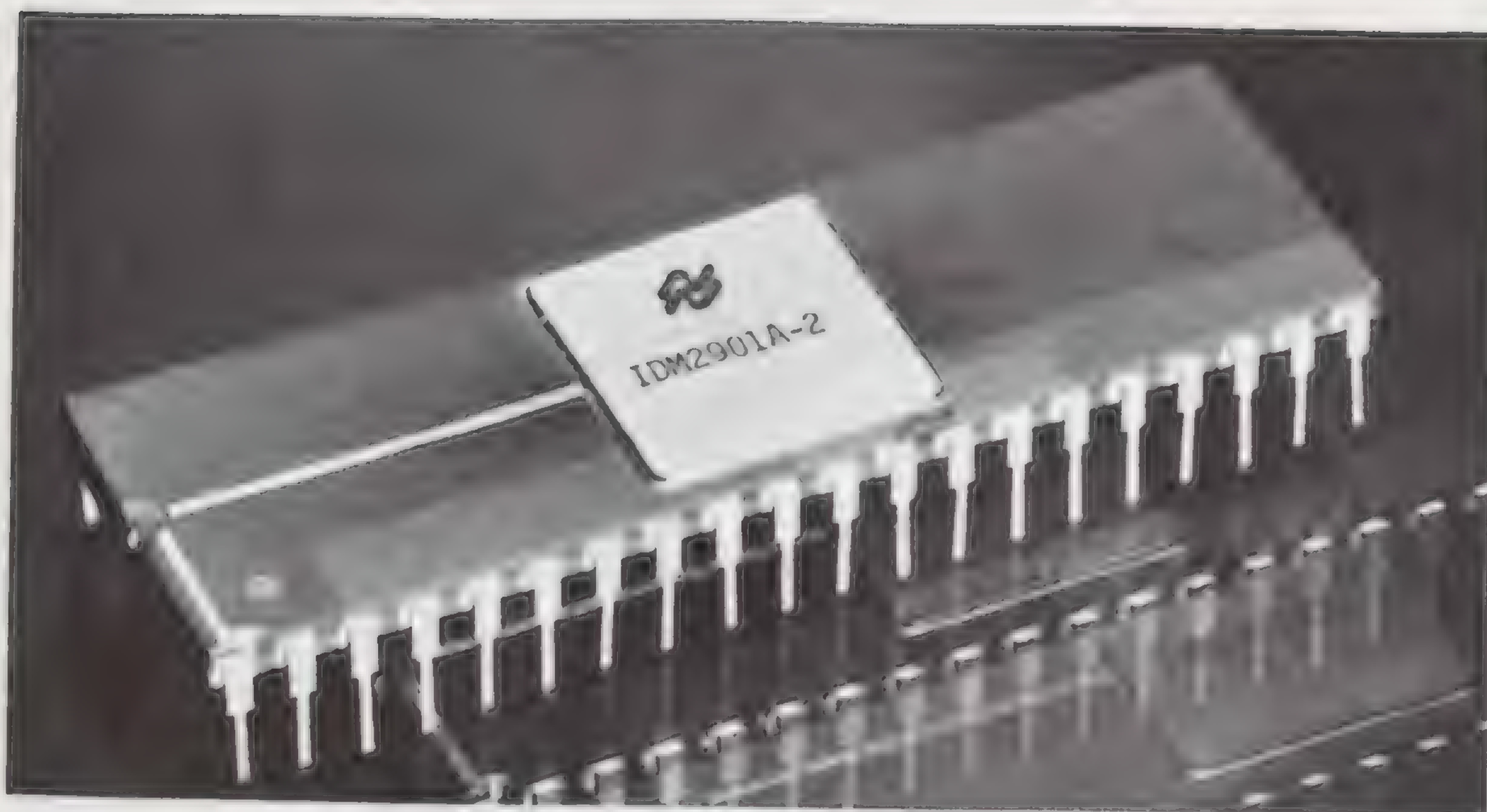
The micro computer is the smallest, sometimes called a "computer on a chip". The chip is a piece of plastic-like substance housed on a part roughly an inch long with prongs extending out the bottom. This device represents the state of technology today and is a preview of what lies ahead.

It is almost frightening how quickly the advances have come. Stories of how computers of 10 years ago filled rooms and today, with the same capabilities, fit into the palm of your hand, are not exaggerations. In 1952, for instance, IBM announced a computer called the 709. This system could do 2,193 multiplications per second, which is an awful lot of multiplying. In January of '79, IBM announced its model 4341, which









The microprocessor—or "computer on a chip"—represents the state of technology today and is a preview of what lies ahead.

can perform 239,120 multiplications per second. That's a difference of over 100 fold.

Micros are used by a good number of auto dealerships, and it is also the class of computer used in the automobile itself. Its small size and its ability to be preset to accomplish certain tasks makes it well suited to set a car's timing, monitor carburetion and many other functions. Also, it has become THE tool in a lot of Finance and Insurance departments.

A step up from the micro is the *minicomputer*. These computers are completely independent systems. Unlike the micro computer which is geared to special purpose type uses (like F&I) or has to be connected to a bigger computer, the mini computer stands alone. It has a tremendous capability for processing all the data generated by dealers.

These systems are typically found in larger dealerships and

utilize terminals in each of the key dealership departments to capture information as a transaction develops. The elimination of steps (with the associated reductions in cost and error), and the ability to handle all of the processing in-house are reasons for the widespread acceptance of mini computers.

In this writer's opinion, cost reductions and improvements in packaging will help push the minicomputer down to a point where dealers selling as few as 300 new cars a year conceivably could afford in-house systems for handling their parts and accounting operations in addition to vehicle sales and service. Right now, I would say, a total "mini" package, including service and software, *easily* could cost \$1,300 a month.

The largest size computers, called *mainframes*, generally are not found in dealerships. There are exceptions, but those exceptions

tend to be super shops like Z Frank in Chicago.

Mainframes are the *real* sophisticates, requiring special rooms and very highly trained people to care and feed them. The systems are used by a number of services vendors, and it is not unusual to see terminals or other input devices supplied by these vendors at an automobile dealership. Dealerships send the input into the mainframe computer of the vendor either over the telephone lines or through the mails and they receive output the same way. A lot of small dealers computerize themselves this way, and depending on their systems choice, can do it for less than \$1,000.

The end result of the input and processing functions is the output, and logical as that statement is, it is not that simple. The output is usually printed out in the form of a report, like a d.o.c. Printing devices are measured by their speed

Display Data Corp.'s In Sight minicomputer system is comprised of (from left) a CRT, processor, and off-line high-speed printer.





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in lines per minute (LPM) or characters per second (CPS) and also by the number of columns (that is, character spaces) they can print across the page. The most common sizes or formats are 80, 120, and 132 characters, and the latter is the size utilized in what, to most laymen, is the typical computer printout or report.

One printer can accommodate all of these formats, but for less money, printers can be had with a limited format capacity and can be used for generating invoices, pick tickets, and the like.

The key is to match the right type of printer with the function best suited to its capabilities. Generally, longer reports should be printed on 180 CPS and faster printers.

The last major function of a computer system is *storage*. The data stored can be your parts inventory, your customer list and accounts receivable, or your service records. Micro computers do not have very much in the way of storage capacity and have to rely on other, larger computers for storage, while minicomputers and mainframes can store many millions of characters of information.

Incidentally, storage is not technically measured in characters—that would be too simple. The term used is "byte", which more or less equals one character. Most systems found in dealerships use several *million* bytes of storage, or to use the language, "megabytes" (MB).

Computer equipment is important, and to become conversant with it is important, but the most

*The 1501 Workstation by Auto Tell Services, Inc. is a desktop system featuring snap-in, self-threading cartridges and visual prompting through a CRT.*



essential part of the whole system is the programming or *software*.

Computers are technological marvels, but they have to be told what to do. Programming, this labor intensive manipulation, is under today's technology, totally done by hand.

Almost all of the data processing vendors who service the automotive field offer packages of software which they have specially developed for dealers. Without a doubt, this is the best and the only way for dealers to go.

Think, before you do anything, about how big your dealership is and about what it does, and think about what it needs to do to live up to what you should expect. Most important, think about how much money you will have available each month to get what you need done.

If you're very small, you *could* engage yourself in an economical batch system such as we've already alluded to. Line yourself up with a vendor, and for a couple hundred dollars a month, your

store can submit your parts pads or your adding machine tapes and receive easy-to-understand printout breakdowns in return.

Go to the sophisticated batch system for less than \$1,000 a month if you handle, say, 300 to 600 new cars a year. This system, again, entails hookup with a computer service, but this time in a more complete way, via cassette or diskettes and the mails.

If your store is large and you handle 600 to 900 or so new ones a year, it would probably behoove you to go on-line. Your dealership's terminals would be hooked over phone lines to the vendor, updating would be constant, and the circuits would be operational all the time. Only an independent, in-house system with higher inherent cost, could be more desirable.

You have to think about something else.

Everyone in the dealership has got to be convinced that the system will help them in some way and they've got to be convinced that the dealer is totally committed to the success of the installation. More problems and lost money and time have been attributed to lack of commitment and an uncooperative staff than will ever be attributed to computer malfunctions.

The process of computer shopping should involve all of the key people who will be interacting with the system. It would be ideal to have the employees who will run the system involved in the selection.

The critical areas, without a doubt, are parts, service, and accounting. They generate the most paperwork and will therefore be the heaviest users of any system.



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Therefore, a dealer should *insist* that his business manager and his parts and service managers heavily participate in choosing a system they feel they need.

No computer has ever been designed with the uniqueness of one particular dealership in mind. Somewhere, your dealership is going to have a procedure or policy that has not been integrated into the system. Only if the responsible managers are involved in the selection process will this become known at an early stage. There will be nothing more detrimental to your business than installing a computer system your key managers don't want and your employees can't run.

Once you make the decision to either upgrade your existing system or install a new one, the decision-making process *must* be an objective one. Managers desiring new equipment, systems, etc., should be made to justify their reasons in terms of dollars and cents.

Each dealership has its own special problems and needs, and for this reason, no list of cure-alls can be published that would be exactly right for you. However, there are

some generalizations we can make with regard to negotiation, contracting, and limiting your risks that might be helpful.

Everything should be in writing. Usually, vendors will submit a proposal describing their system. Typically, the proposals are not referenced on the contract that the dealer signs. BUT, get the two related! That way, you'll know what you're getting by the description in the proposal. In case of problems, you'll be thankful you have it.

You should make sure you have a clear and definite understanding about penalties. If the vendor promises, for instance, to deliver needed service within three hours of notification, make sure the penalty for *missing* that time frame is stated clearly. The penalty might be in x dollars per hour, for instance, to be credited to your bill.

Phase in your payments. That is, pay as you go if you can. The vendor should be paid as key milestones in the installation are met, and not before. Benchmark tests—those which use your own data—are good criteria to determine when a system is up to its

purported description.

Try to find out how many systems comparable to yours have been installed. It is not a good idea to be the first one on your block. With any new product, there are always "bugs" to work out. Check out references carefully, and look for installations bigger than yours so you can be sure the one proposed for you is satisfactory.

You should identify quickly the specific elements of the cost. Remember, there will be charges for hardware (equipment); service for the equipment; software (the programs); changes to the software; installation charges; training; and importantly, communications charges.

The latter are especially significant today, and will be in the future. You should work closely with the company responsible for your telephone system, whether they are an operating company within the Bell System or an independent. Your computer system is going to have to talk to other computers whether it's the factory's or that of some other data processing center. In fact, it's important that *all* your communications needs be

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coordinated. This means not only the data processing but the normal communications as well, since there are equipment interrelationships and cost factors involved.

Ask yourself: "Will the vendor do a survey which shows he understands the uniqueness of my dealership?" If your special needs aren't handled by the vendor in the process of getting the sale, they certainly won't be handled after the sale. You *must* have confidence in the vendor's ability to work with you and your people.

What happens if it breaks? While computer people always say, "when the system goes down," I say, "when it breaks." Whatever, you want to assure yourself that you will get prompt, responsive service. You want one point of contact, and you don't want to get in the middle of calling the vendor for hardware and another for programming. This is especially true since you as a typerson will not be able to pinpoint the problem in one area or another. Local references regarding reliability in this matter could prove invaluable.

Make sure your system has room to grow. Before you buy, have your managers determine what they think their requirements will be over the next few years.

Ask before you buy, too, if you can see a demonstration. If you can't see it and touch it, then it doesn't exist. The demo is a good time to bring in the actual employee who will be expected to operate the system. One thing's certain: if the employee can't run it with the expert around, he certainly won't be able to do it alone.

As a dealer, you're a sales pro yourself, so make sure the computer salesperson answers all your questions. Make sure your concerns are handled with concrete answers, and make sure you are confident about both the salesperson *and* the vendor.

Above all, remember that your decision to buy a system is like any other business decision. Don't be intimidated by your lack of computer knowledge. Just be sure you know what you want the computer to do, and how it will benefit your business. **Æ**

**About the author.** Lawrence D. Dietz, of San Jose, Calif., has authored several major reports and has served as a speaker on the subject of computers for numerous organizations including NADA. He entered the data processing field by managing a zone computer center for Chrysler Corp. and has been well known for his "end user" orientation. Dietz also is editor of a quarterly newsletter on computers and their use in automobile dealerships. He may be contacted by writing him at 362 Spode Way, San Jose, CA 95123.



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# Terry Lindsay's Solar Store

There's something new under the sun in Alexandria, Va. It's a Cadillac dealership sporting a solar-heated service and parts department.

By Ron Rogers



**T**he recent OPEC-engineered crunch made one thing, at least, clear. Gasoline, or the supply of it, is not the issue. Energy is, and it is the hub of THE question of the next decade: is there going to *be* enough and will we be able to afford it?

Curiously enough, while most of us walk around confusedly debating whether or not shale oil and liquid coal and gasahol will provide us with some kind of relief without a bucket full of side effects, *you* could conceivably answer the bulk of your future power needs with just one "simple" decision.

You can do it with *solar*, and we're not talking about pie in the sky. It's being done now, commer-

cially, in automobile dealerships.

In Northern Virginia, just beyond the bureaucratic confines of Washington, D.C., Charles T. (Terry) Lindsay, Jr. operates a facility that is complete: he has 75 service bays, a body shop, a radio shop, a *large* parts department, and he finds time to sell about 1,500 new Cadillacs a year along with about 700 used ones.

He *had* one problem: a World War II vintage building that looked it, and a rather determined wish to match the look of his facilities to what he and most of the world feel is the Cadillac image.

He took his desires to a firm by the name of Architects Group Practice, and together, they came up with a decision to build a

40,000-square-foot, three-tier service and parts addition topped off by a rather expensive "sunroof".

Lindsay decided to try solar power for a number of reasons. Trained as a civil engineer, he felt the project was "new, innovative and represented forward thinking," and *that*, he said, "is what we want to be a part of."

There is no doubt, too, that Lindsay was concerned about the dwindling and unstable supply of fossil fuel, even though the concept for his building was formulated in March of '77—a period of relative calm as far as the money and energy markets were concerned.

Lindsay is a businessman, though, and he's not afraid to





The sleek, solar heated Lindsay Cadillac addition represents, as President Terry Lindsay (below) puts it, "innovation we're proud of."

admit that when he made his decision, money was very much on his mind. The building cost him \$1.5 million, or about \$37 a square foot, and the solar paraphernalia accounted for about \$130,000 of that. That compares rather largely to the \$28 to \$32 per square foot that most structures are said to run in the Capital area, but Lindsay *knows* he has made a sound, long-term investment.

Long before the first shovel hit the ground in November of '77, the ARGP firm estimated a 20-year payback period—meaning, of course, that assuming the system lasts, it will pay for itself in that period of time. That estimate was made, however, when the price of oil was around a dozen dollars a

barrel, and several countries are charging nearly double that amount right now. Lindsay, for sure, made a rather fortuitous move.

The system does *not* provide electricity. The technology for that kind of capability is not cost-feasible at present, and is not likely to be for some time. To get electricity *directly* from the sun, a building would need photovoltaic cells, and at this time, there is no way to make the cells except by hand.

Electricity can be generated indirectly by solar means, through steam, and this brand of energy could be utilized to some substantial degree in the future in areas like Southern California,







Perhaps the two most important parts of the solar system are the collector panels above, and the 10,000 gallon storage tank, which can retain needed heat for days.

where there is an abundance of sun power.

But for now, in areas like Alexandria, Va., the home of Lindsay Cadillac, the aim of any solar hookup is to provide, under optimum conditions, 100 percent of a building's heat and hot water requirements.

According to John LeReche, Jr., of Glassman LeReche and Associates, the firm that designed the Lindsay solar system, "optimum conditions" means a string of sunny days with temperatures in the mid 30s to low 40s.

During such conditions, collector units, made of sealed thermopane glass backed by copper and then fiberglass insulation, attract the sun. The solar heat warms the copper and an anti-freeze mixture that is pumped slowly through tiny tubes in the copper plate.

The antifreeze perks to about 140 degrees, and it flows through still more copper tubes that run through a tank of water. That water is heated by the hot antifreeze, and it winds its way through the heating system in the building to do what the once inexpensive oil heat used to.

Because of an 8-foot by 26-foot tank buried deep in the ground, Lindsay's people can keep quite comfortable even when the weather is *not* ripe for a sun tan.

The tank is heavily insulated and can keep the water above 100 degrees for some time. Only when



the weather is consistently bleak or persistently sub freezing does the back-up oil burner system have to kick on to pick the temperature up.

LeReche stresses the solar system *could* have been built to handle colder temperatures for a longer period of time, but he said the key word is *payback*. The best system is a system that is efficient, pays for itself in a short amount of time, and *lasts*. A monster of a system, if the roof of a particular building could hold it, would very often be an underused monster.

LeReche and Bob Long, of Architects Group Practice, say a building can be retrofitted with solar, and though they feel systems such as Lindsay's still have to be considered "experimental",

they think the time for solar is now.

They feel there will, in the future, be modifications and refinements made to solar design, mostly involving the collectors and perhaps the elimination of the heat exchanger, but the longer people wait, as a DOE engineer put it graphically if not grammatically, "the behinder and behinder they're going to get." The fact is they say, people can save MONEY by going to solar now.

Terry Lindsay is proud of his system, and since he's in the business to sell and service cars, he's going to let people know how proud he is. He feels the public acceptance of Lindsay Cadillac will be enhanced *because* he represents forward thinking on energy, and he says he and his people are going to attempt to be very visible.

He has already run a very successful magazine ad that doesn't include a trace of an automobile but a very understated message that gives the reader the idea that Lindsay is not only a pioneer, but a reliable and solid one at that, in the Cadillac tradition.

Terry Lindsay wants to promote the fact that he has a classy, energy efficient vehicle to sell, and he's going to promote the hell out of the fact that he's got the perfect facility in which to sell it. Makes you wonder if last month's exceptional selling month at Lindsay Cadillac was something other than a coincidence.



# Showcase

## WHAT'S NEW ON THE MARKET

The **9000 Series ECR** is a cash register that offers some exclusive features such as an electronic combination lock to prevent unauthorized use, a self-contained energy cell for emergency power, printed records, automatic tax computation and preset keys among others. The 9000 is available in 14, 21, 28, 35 and 42 department models. Manufacturer: R. C. Allen Co., Inc., 2900 29th St., SE, Grand Rapids, Mich. 49508.

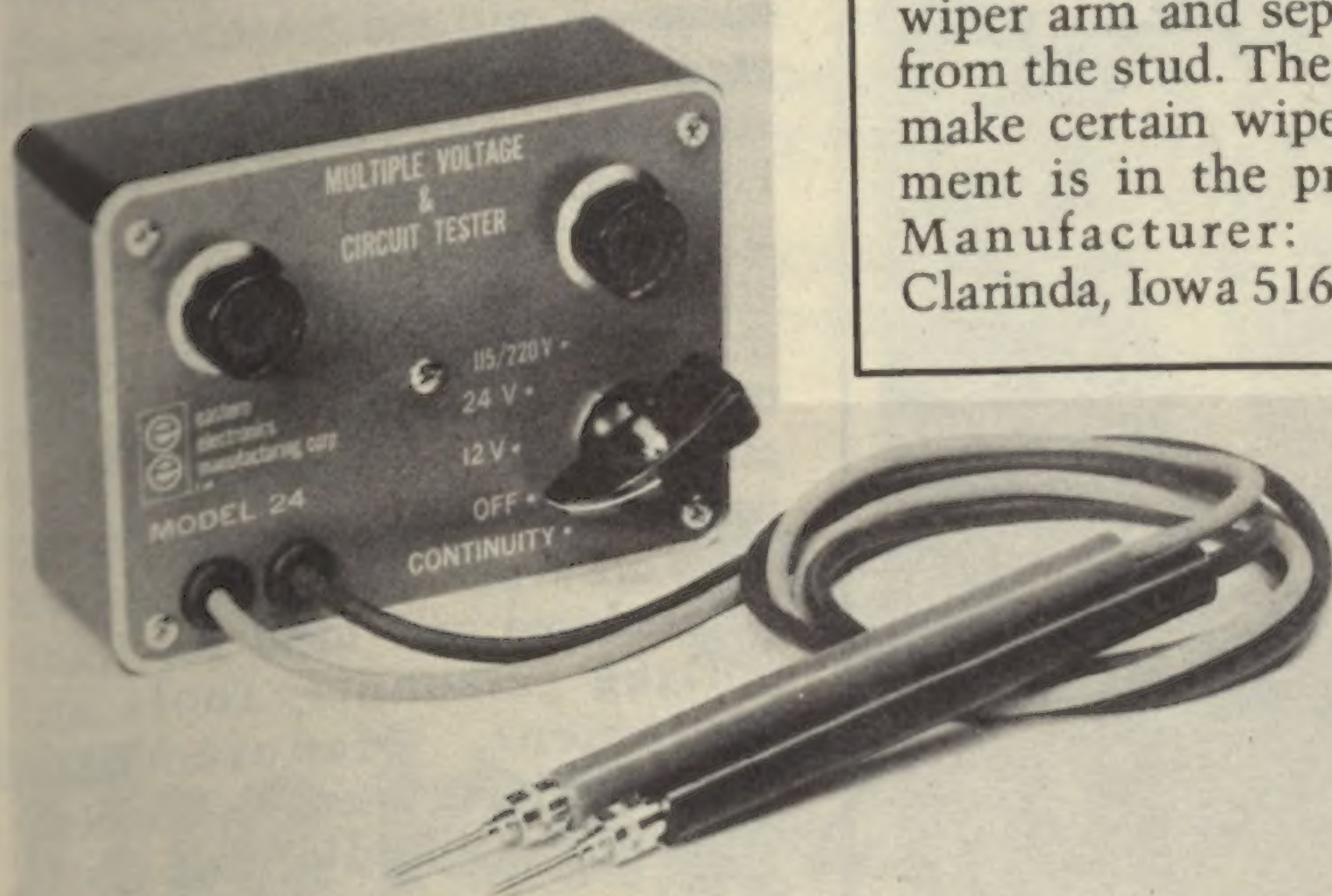


The **Model 320 portable digital analyzer** tests components and circuitry on O.E.M., G.M., Chrysler, Ford, American Motors and import electronic ignition systems. Featuring a large, easy-to-read LCD readout, Model 320 is accurate to within one percent on all ranges. In addition, it is self-powered with an extremely low power drain. It operates on both conventional and rotary engine types from 3 to 12 cylinders and on electrical systems from 6 to 40 volts. Manufacturer: Peerless Instrument Co., 6101 Gross Point Rd., Niles, Ill. 60648.

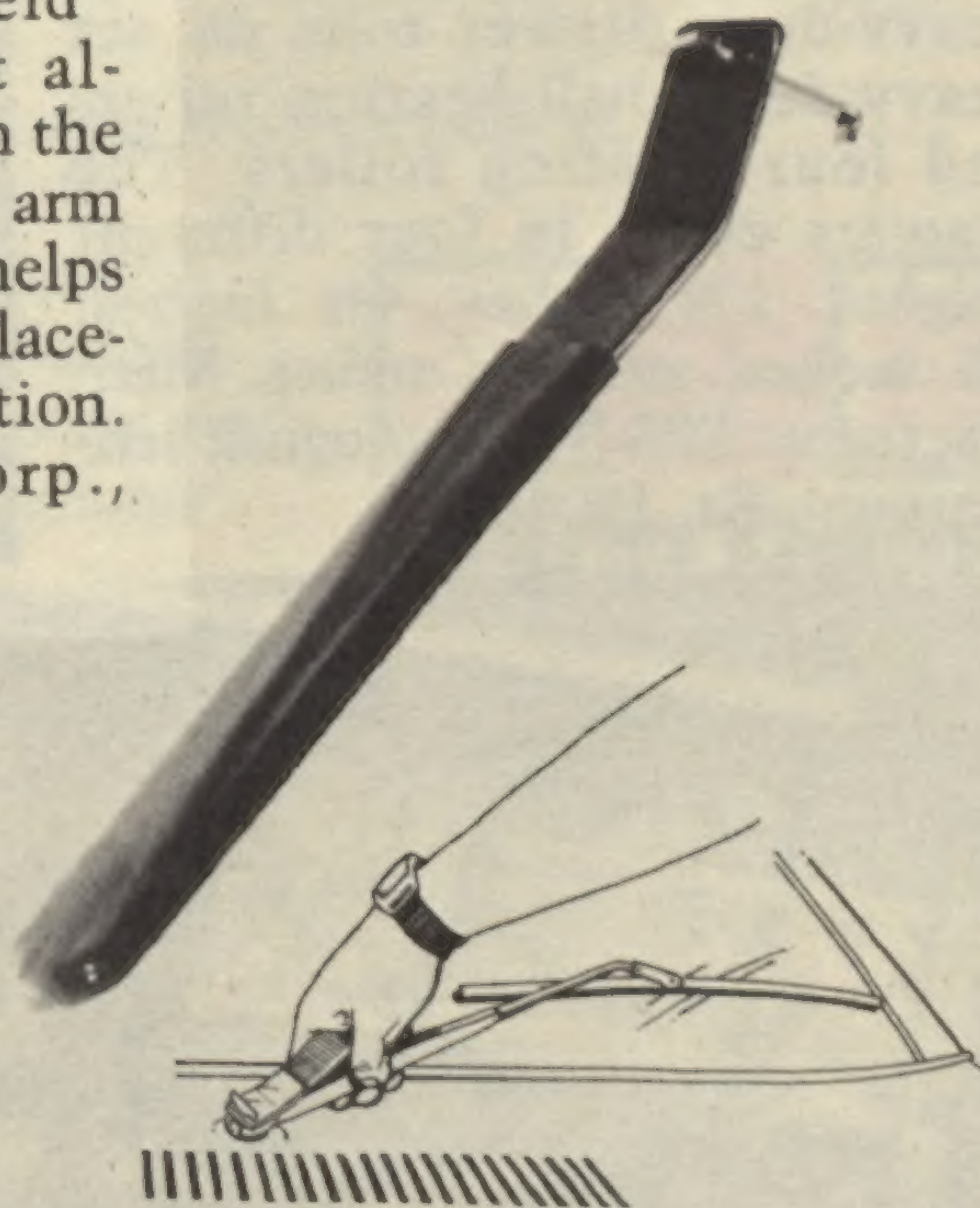


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on  
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The **Model 24** is a simple, compact multiple voltage and circuit tester for 6 and 12 VDC and 110/220 VAC systems. It has solid state construction and is intended for automotive, aircraft, and heavy construction equipment. The handheld unit incorporates an internal transformer to permit easy, two lead operation. All adjustments are factory-set before the case is sealed to make it moisture-proof and dust-proof. State-of-the-art construction removes the need for fuses. The unit's power is supplied by two penlight batteries. The Model 24 is a precision instrument designed for prolonged accuracy under normally abusive functioning situations. Manufacturer: Eastern Electronics Manufacturing Corp., 180 Roberts St., East Hartford, Conn. 06108.



A new tool, **Model 65750**, is designed to aid in the removal and replacement of "spring held" windshield wiper arms. It alleviates the spring pressure on the wiper arm and separates the arm from the stud. The tool also helps make certain wiper arm replacement is in the proper position. Manufacturer: Lisle Corp., Clarinda, Iowa 51632.





"Hard 'N' Seal" is a paste-like gasket supplement which forms a positive seal on fuel pumps, water pumps, head gaskets, transmissions and differentials; resistant to all common automotive substances including gasoline. Hard-setting, it is ideal for pipe joining or other threaded fittings. Manufacturer: Fel-Pro Inc., 7450 N. McCormick Blvd., Box C 1103, Skokie, Ill. 60076.



An aerosol Brake Cleaner quickly degreases brake parts. Fast drying, it leaves no residue. It eliminates disc brake squeal and clutch "clatter" due to road film accumulation. The aerosol contains no fluorocarbons and is non-flammable. Manufacturer: Gold Eagle Co., 1872 N. Clybourn Ave., Chicago, Ill., 60614.

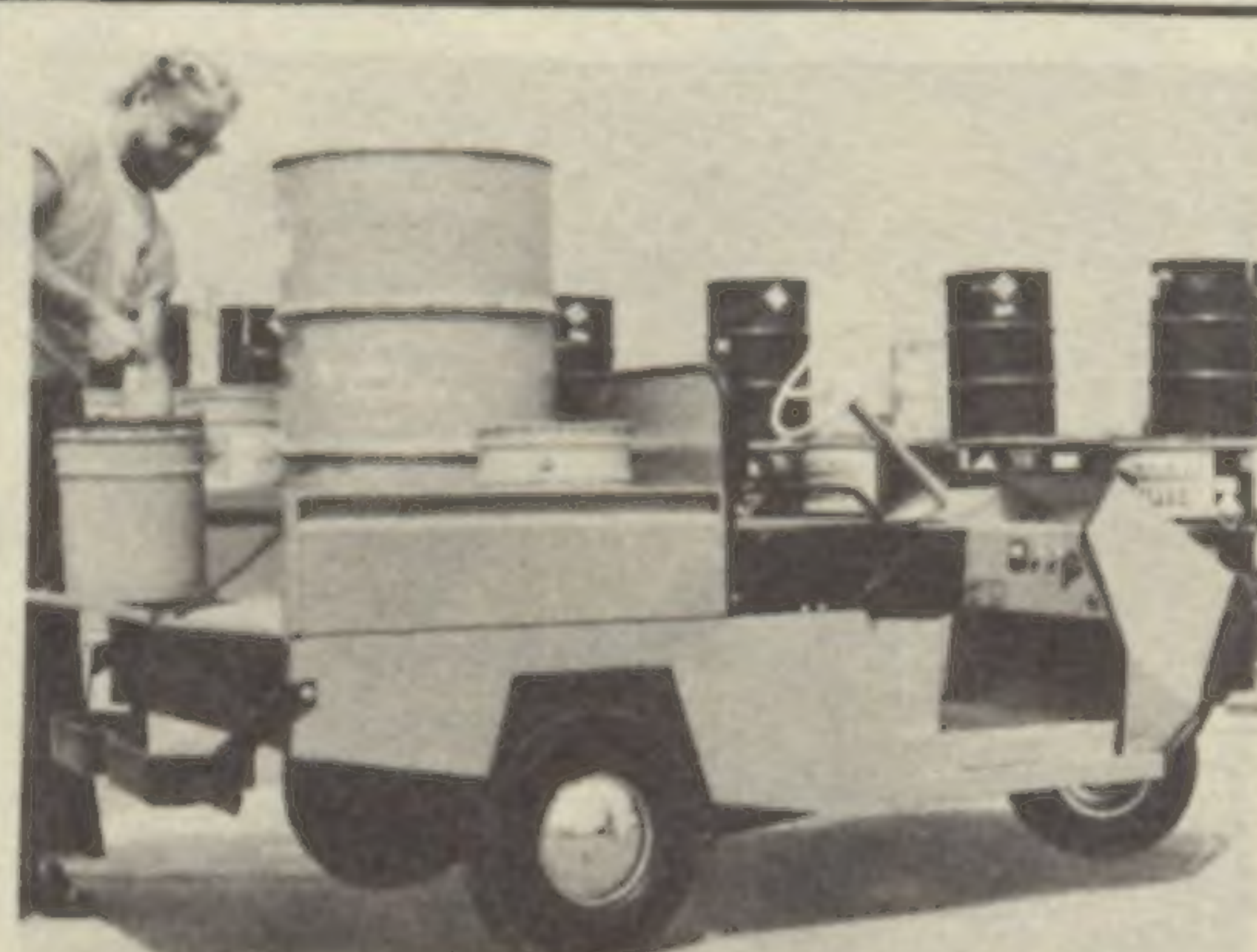


The Watchdog Timer is a new concept in security timers. It turns lamps and radios on and off automatically at random intervals of 3 to 25 minutes. It gives the impression of continuous activity in your dealership, but without a predictable on-off pattern. It helps to deter burglars by creating a "busy" look and sound even in the wee hours of the morning. It's easy to use, there are no dials to set and nothing to install. Manufacturer: A. M. Corp., Box 392-PR, Arlington Heights, Ill. 60006.



The Tight Places Set is a 16-piece tool set designed especially for close-quartered applications such as under the hood and behind the dash. It includes two drive sizes—the unique 1/4-inch Thumbwheel ratchet and the 3/8-inch Stubby ratchet, two extensions for greater reach, and 11 standard sockets with an adapter. All are contained in a durable molded plastic case for protection and organization. Ideal for downsized cars. Manufacturer: Dresser Industries, Inc., 3201 North Wolf Rd., Franklin Park, Ill. 60131.

## WHAT'S NEW ON THE MARKET



A new, 18-inch deep, small parts drawer has a 400-pound capacity and comes with a full progressive suspension cradle and track. Each heavy-duty drawer rolls on six heavy-duty, ball-bearing rollers and four floating rollers. The drawers come in four different heights: 2 7/8 inches, 4 3/8 inches, 5 7/8 inches, and 7 3/8 inches. Manufacturer: SPS Technologies, Jenkintown, Pa. 19046.

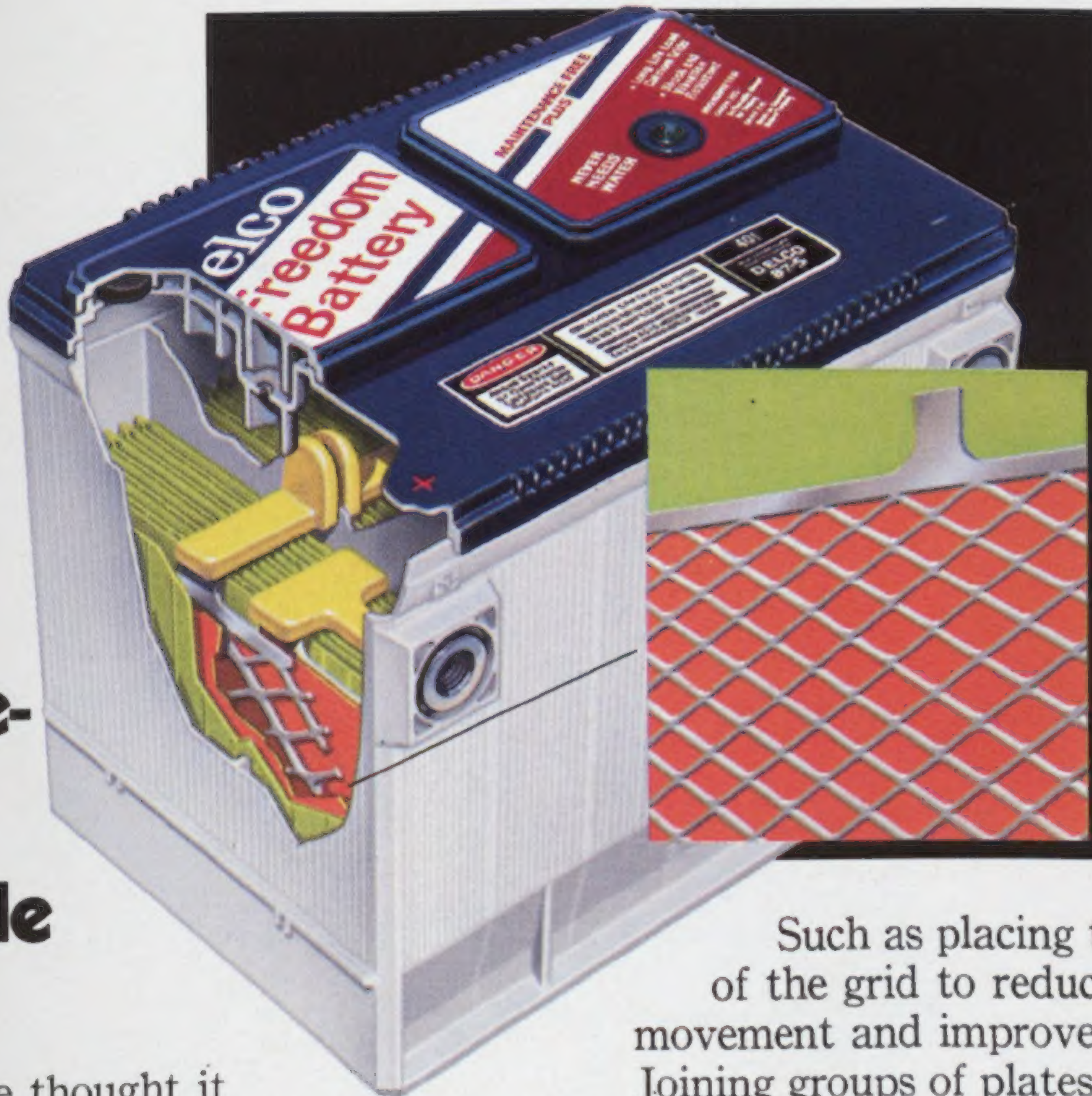


Marketeer pick-up trucks handle up to 1,000 pounds of cargo plus two passengers. They operate indoors or out and feature an all-steel, fully welded frame with steel body panels for added safety. Fingertip controls plus pedal brake and a parking brake are part of the simple operator controls. A built-in charger completely recharges overnight by simply plugging into any standard 110-volt outlet. They can run 30 miles on one charge. They are available with or without an enclosed cab. Ideal for transporting personnel, tools and equipment. Manufacturer: Nordco Marketeer, 26701 Redlands Blvd., Redlands, Calif. 92373.



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